

1 - Email - January 31 2017 - FW_ NR and stmt for approval.pdf

From: [Miller, Amanda \(TBS\)](#)
To: [Tam, Nelson \(TBS\)](#)
Cc: [Hosick, Sarah \(TBS\)](#)
Subject: FW: NR and stmt for approval
Date: January-31-17 3:10:24 PM
Attachments: [PAEAP Report NR_v4_20170128 \(BS\) \(current version\).doc](#)
[PAEAP Report Release Statement_v6_20170128 \(BS\) \(current version\) \(1\).doc](#)

Hi, Nelson,

Apologies, this went to Dane in Deputy Minister's Office rather than to you directly. I've let Dane know to disregard, and that the materials will follow through to his office through regular channels. He's the DMO policy lead on the file, so is already familiar with the content, so there are no concerns about confidentiality.

Amanda

From: Miller, Amanda (TBS)
Sent: January 31, 2017 12:52 PM
To: Nelson, Dane (TBS); Hosick, Sarah (TBS)
Subject: NR and stmt for approval

Hi, Sarah and Nelson,

I have attached the draft news release and statement for review and approval. I understand these initially went to Nadine on Sunday evening.

With respect to translations—we anticipate receiving the French material later today.

With respect to the possibility of sharing draft QAs with the panel in advance of a press conference—we have updated our media protocol, which sets out the scope of questions either the gov't, public service or panel might respond to; however, we haven't prepared any draft responses to questions. This is, as you mentioned, to preserve the integrity of the panel as fully independent. We may consider the option of providing a list of potential questions the media might pose, so that they can prepare their own responses and have a general idea of the sort of information they might be required to speak to in that environment. Any decision on that approach would need further discussion between our respective branches.

Regards,

Amanda

Amanda Miller
Executive Communications Coordinator
Communications Branch, Treasury Board Secretariat

Tel: 416-326-8538

BB: 416-989-6110

PAEAP Report NR_v4_20170128 (BS) (current vers.pdf

Pension Asset Expert Advisory Panel Finds Ontario's Accounting Methods Accurate

Province's 2015-16 Deficit Lowered From \$5B To \$XB

NEWS

February 13, 2017 (TBC)

An independent expert panel has released its advice and recommendations on the application of public sector accounting standards to Ontario's net pension assets. In its report, the panel found the accounting treatment Ontario adopted in 2001 for its jointly-sponsored pension plans is still appropriate.

By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to \$XB, from the \$5B originally reported in the 2015-16 Public Accounts.

The panel's recommendations help to clarify how public sector accounting standards are interpreted as they apply to pension assets. Ontario is committed to acting on the panel's recommendations, which will inform the preparation of the Province's future financial statements.

The province remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

Responsible financial management is part of the government's plan to create jobs, grow the economy and help people in their everyday lives.

QUOTES

"I would like to thank the expert panel for their thorough report and recommendations on this complex accounting issue. We are pleased that the panel agrees with Ontario's view that net pension assets should continue to be recognized in the province's financial statements, as they have been for the past 14 years."

— Liz Sandals, President of the Treasury Board

"With the help of the unique professional skillsets and perspectives of the independent advisory panel, we now have clarity on how to account for jointly-sponsored pension assets. This advice will help us continue to present the province's finances fairly and accurately, as we work toward balancing the budget in 2017-18."

— Charles Sousa, Minister of Finance (TBC MOF)

"TBC PLACEHOLDER"

— Tricia O'Malley, Chair, Pension Asset Expert Advisory Panel

QUICK FACTS

- In preparing the 2015-16 Public Accounts of Ontario, the province's professional accounting staff and the Auditor General's Office engaged in discussions about the appropriate application of Public Sector Accounting Board (PSAB) standards regarding pension

accounting for the Province's jointly-sponsored pension plans, the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Sector Employees' Union Pension Plan (OPSEUPP).

- On November 10, 2016, the government formed the Pension Asset Expert Advisory Panel to deliver advice and recommendations on how public sector accounting standards are interpreted as they apply to pension assets. The panel members have expertise in the areas of jointly-sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards.
- The panel's advice is the government should record an asset in the 2015-16 Public Accounts for its share of the surplus reported in the accounting valuations of the OTPP and OPSEUPP.
- In the coming weeks, the panel will issue a supplemental report on how pension assets should be recognized and measured in the Healthcare of Ontario Pension Plan (HOOPP) and the Colleges of Applied Arts and Technology Pension Plan (CAAT).

ADDITIONAL RESOURCES

Read the panel's report: [\[insert hyperlink\]](#)

[Pension Asset Expert Advisory Panel Members](#)

[Pension Asset Expert Advisory Panel Terms of Reference](#)

[Read the 2015-16 Public Accounts of Ontario](#)

[Learn about the government's fiscal cycle](#)

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

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PAEAP Report Release_Statement_v6_20170128 (BS.pdf

Pension Asset Expert Advisory Panel Report Press Conference

**Statement by
The Honourable Liz Sandals**

February 13, 2017

Time TBC

Location TBC

Toronto, Ontario

Estimated Length: 2 minutes (XXX words)

- Today, the Pension Asset Expert Advisory Panel released its final report to the government.
- This independent panel was formed to deliver advice and recommendations on a complex accounting issue.
- That issue was the application of public sector accounting standards to Ontario's net pension assets.
- The panel members have expertise in the areas of jointly-sponsored pension plans, actuarial modelling for pension plans, and Public Sector Accounting Standards.
- I would like to thank the panel for their thorough report and recommendations on this important issue.
- We are pleased that the panel agrees with Ontario's view that net pension assets should continue to be recognized in the province's financial statements, as they have been for the past 14 years.

- Ontario is accepting the panel's findings, which help to clarify how public sector accounting standards are interpreted as they apply to pension assets.
- The Province will apply these findings to its future financial statements.
- In its report, the panel found that the accounting treatment Ontario adopted in 2001 for its jointly-sponsored pension plans is still appropriate today.
- Based on the recommendations, the Province will record an asset in its financial statements for its share of a surplus reported in the accounting valuations of two pension plans:
 - o the Ontario Teachers' Pension Plan, and
 - o the Ontario Public Sector Employees' Union Pension Plan.
- By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to **\$XB**, from the \$5B originally reported in the 2015-16 Public Accounts.

- Responsible fiscal management is a key priority for this government.
- We remain firmly committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19, while continuing to invest in the priorities that matter to Ontarians.
- We will continue to present the province's finances fairly and accurately as we work to improve the lives of all Ontarians.
- I will now turn it over to my colleague, Minister Sousa, who will deliver a brief statement. Following that we would be happy to take your questions.

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Pension Asset Expert Advisory Panel Finds Ontario's Accounting Methods Accurate

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"With the help of the unique professional skillsets and perspectives of the independent advisory panel, we now have clarity on how to account for jointly-sponsored pension assets. This advice will help us continue to present the province's finances fairly and accurately, as we work toward balancing the budget in 2017-18."

— Charles Sousa, Minister of Finance (TBC MOF)

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ADDITIONAL RESOURCES

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

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1 - PAEAP Report Release_Statement_v6_20170128 (BS) (current version) (1).doc

Pension Asset Expert Advisory Panel Report Press Conference

**Statement by
The Honourable Liz Sandals**

February 13, 2017

Time TBC

Location TBC

Toronto, Ontario

Estimated Length: 2 minutes (XXX words)

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- This independent panel was formed to deliver advice and recommendations on a complex accounting issue.
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- I would like to thank the panel for their thorough report and recommendations on this important issue.
- We are pleased that the panel agrees with Ontario's view that net pension assets should continue to be recognized in the province's financial statements, as they have been for the past 14 years.

- Ontario is accepting the panel's findings, which help to clarify how public sector accounting standards are interpreted as they apply to pension assets.
- The Province will apply these findings to its future financial statements.
- In its report, the panel found that the accounting treatment Ontario adopted in 2001 for its jointly-sponsored pension plans is still appropriate today.
- Based on the recommendations, the Province will record an asset in its financial statements for its share of a surplus reported in the accounting valuations of two pension plans:
 - o the Ontario Teachers' Pension Plan, and
 - o the Ontario Public Sector Employees' Union Pension Plan.
- By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to **\$XB**, from the \$5B originally reported in the 2015-16 Public Accounts.

- Responsible fiscal management is a key priority for this government.
- We remain firmly committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19, while continuing to invest in the priorities that matter to Ontarians.
- We will continue to present the province's finances fairly and accurately as we work to improve the lives of all Ontarians.
- I will now turn it over to my colleague, Minister Sousa, who will deliver a brief statement. Following that we would be happy to take your questions.

10 - Email - February 3 2017 - RE_ Panel products approval.pdf

From: [Hosick, Sarah \(TBS\)](#)
To: [Veinot, Cindy \(TBS\)](#); [Petsche, Nadine \(TBS\)](#); [Tam, Nelson \(TBS\)](#)
Subject: RE: Panel products approval
Date: February-03-17 1:23:15 PM

Touched base with Comms on this issue – they are pushing to use the different terms.

Reason being that they mean to refer to two different things. They are using **future financial statements** to mean more than just Public Accounts, they are including Budget, Q3 Report, Long-Term Report, FES, etc.

They will not change the Public Accounts term to financial statements as, its indicating when it was **originally** reported:

By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to \$3.5B, from the \$5B originally reported in the 2015-16 **Public Accounts**. Ontario accepts the panel's recommendations, which will inform the preparation of the Province's future **financial statements**.

From: Hosick, Sarah (TBS)
Sent: February-03-17 12:48 PM
To: Veinot, Cindy (TBS); Petsche, Nadine (TBS); Tam, Nelson (TBS)
Subject: RE: Panel products approval

Thanks—ill follow up and get that changed

From: Veinot, Cindy (TBS)
Sent: February-03-17 12:45 PM
To: Hosick, Sarah (TBS); Petsche, Nadine (TBS); Tam, Nelson (TBS)
Subject: RE: Panel products approval

Public Accounts is fine – but they need to use the same term in the sentence below – otherwise its confusing to the non-accountant as it looks like they are talking about two different documents, and we're not.

From: Hosick, Sarah (TBS)
Sent: February-03-17 12:43 PM
To: Veinot, Cindy (TBS); Petsche, Nadine (TBS); Tam, Nelson (TBS)
Subject: FW: Panel products approval

FYI – Comms rejected some of our wording changes. E.g., saying financial statements instead of Public Accounts (that we did for consistency).

They want it to match previously published language and plain language needs.

Happy to discuss and/or clarify with Comms

Thanks
Sarah

From: Ovenden, Erin (TBS)
Sent: February-03-17 11:54 AM
To: Laughton, Patrick (TBS); Hosick, Sarah (TBS)
Cc: Jackson, Sarah (TBS); Sullivan, Bryant (TBS); Miller, Amanda (TBS)
Subject: RE: Panel products approval

Hi-

MO wants the products by noon.

We reviewed the OPCD approved products. We've accepted most of the edits, especially where it was a factual change. But with regards to the news release we had to revert back to the original in a number of places. This is purely due to POCOMO style preferences and plain language needs. Where we weren't sure, we used the pre-approved and published language that was in the November news release.

Please let us know if we've left in any factual errors and we'll fix them.

Thank you for all your support on this.

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: Laughton, Patrick (TBS)
Sent: February-03-17 11:00 AM
To: Ovenden, Erin (TBS); Hosick, Sarah (TBS)
Subject: RE: Panel products approval

Thank you both.

From: Ovenden, Erin (TBS)
Sent: February-03-17 10:43 AM
To: Hosick, Sarah (TBS); Laughton, Patrick (TBS); Miller, Amanda (TBS)
Subject: RE: Panel products approval

Awesome, thank you. I'll wait for Karen's approval, but if MO calls these are the ones I'll have to move forward.

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: Hosick, Sarah (TBS)
Sent: February-03-17 10:41 AM
To: Laughton, Patrick (TBS); Miller, Amanda (TBS)
Cc: Ovenden, Erin (TBS)
Subject: RE: Panel products approval

Attached are the ones approved at the OPCD level.

From: Laughton, Patrick (TBS)
Sent: February-03-17 10:38 AM
To: Miller, Amanda (TBS)
Cc: Ovenden, Erin (TBS); Hosick, Sarah (TBS)
Subject: RE: Panel products approval

Hi Erin –

Karen hasn't had the chance to do review but is ok for these to go.

P.

From: Miller, Amanda (TBS)
Sent: February-02-17 6:12 PM
To: Laughton, Patrick (TBS)
Cc: Ovenden, Erin (TBS); Hosick, Sarah (TBS)
Subject: Panel products approval

Hi, Patrick,

I understand Karen is reviewing the draft news release, statement and QAs in connection with the pension panel report.

We are aiming to move those along to MO tomorrow, and I've been in touch with Sarah Hosick over the past couple days on status. Tomorrow (Friday) I'll be supporting an interview panel so won't be available throughout the day.

Erin Ovenden is our comms lead and you're welcome to connect with her directly on any questions, revisions or updates, and with the final docs.

Thanks for your support keeping this one moving,

Amanda

Sent from my BlackBerry 10 smartphone on the Rogers network.

10 - PAEAP Report NR_v6_20170203.doc

Pension Asset Expert Advisory Panel Finds Ontario's Accounting Methods Accurate

Province's 2015-16 Deficit Lowered from \$5B to \$3.5B

NEWS

February 13, 2017 (TBC)

An independent expert panel has released its advice and recommendations on the application of public sector accounting standards to Ontario's jointly sponsored pension plans. In its report, the panel supports the accounting treatment that Ontario adopted in 2001.

By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to \$3.5B, from the \$5B originally reported in the 2015-16 Public Accounts.

Ontario accepts the panel's recommendations, which will inform the preparation of the Province's future financial statements.

The Province remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

Responsible financial management is part of the government's plan to create jobs, grow the economy and help people in their everyday lives.

QUOTES

"I would like to thank the expert advisory panel for their thorough analysis and recommendations on this complex accounting issue. We are pleased that the Panel's advice aligns with Ontario's view that net pension assets should continue to be recognized in Ontario's financial reports, as they have been for the past 14 years."

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"With the help of the unique professional skillsets and perspectives of the independent advisory panel, we now have clarity on how to account for jointly-sponsored pension assets. This advice will help us continue to present the province's finances fairly and accurately, as we work toward balancing the budget in 2017-18."

— Charles Sousa, Minister of Finance (TBC MOF)

QUICK FACTS

- In preparing the 2015-16 Public Accounts of Ontario, the Province's professional accounting staff and the Auditor General's Office engaged in discussions about the appropriate application of Public Sector Accounting Board (PSAB) standards regarding pension accounting for the Province's jointly-sponsored pension plans, the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Sector Employees' Union Pension Plan (OPSEUPP).
- On November 10, 2016, the government formed the Pension Asset Expert Advisory Panel to deliver advice and recommendations on how public sector accounting standards are

interpreted as they apply to net pension assets. The panel members have expertise in the areas of jointly-sponsored pension plans governance, actuarial modelling for pension plans and Public Sector Accounting Standards.

- The panel's report concluded that the net pension assets of both the OTPP and the OPSEUPP should be recognized in Ontario's financial statements. Applying the accounting standards shows no valuation allowance is required to reduce the amount of either asset.
- In the coming weeks, the panel will issue a supplemental report that will provide advice and recommendations on how to account for potential future net pension assets related to the Healthcare of Ontario Pension Plan (HOOPP) and the Colleges of Applied Arts and Technology Pension Plan (CAATPP).

ADDITIONAL RESOURCES

Read the panel's report: *[insert hyperlink]*

[Pension Asset Expert Advisory Panel Members](#)

[Pension Asset Expert Advisory Panel Terms of Reference](#)

[Read the 2015-16 Public Accounts of Ontario](#)

[Learn about the government's fiscal cycle](#)

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10 - PAEAP Report QA_v9_20170203.docx

Questions and Answers
Pension Asset Expert Advisory Panel Report

Confidential DRAFT

February 1, 2017

KEY MESSAGES:

- We thank the Pension Asset Expert Advisory Panel for their work on this complex issue.
- We are pleased that the independent panel's results are consistent with Ontario's view that net pension assets for jointly-sponsored plans should continue to be recognized in the Province's financial statements, as they have been for the past 14 years.
- Ontario is accepting all of the panel's recommendations and will prepare its future financial statements based on this advice.
- By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to \$3.5B, from the \$5B originally reported in the 2015-16 Public Accounts.
- The panel's advice will also help inform discussions with the Auditor General in the hopes of reaching agreement on how the accounting standard is applied to future financial statements.
- Ontario remains committed to balancing the budget by 2017-18, and remaining balanced in 2018-19.

QUESTIONS & ANSWERS:

1. In layman's terms what does the report mean?

The panel's results are consistent with the government's view that the net pension assets for the Province's two jointly-sponsored plans should be recognized in Ontario's financial statements.

During the 2015-16 Public Accounts audit, the Auditor General raised some questions about Ontario's past accounting practices related to pension assets for two jointly-sponsored pension plans - the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Sector Employees' Union Pension Plan (OPSEUPP).

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

We are pleased that the independent panel agrees with Ontario's view that net pension assets for jointly-sponsored pension plans should continue to be recognized in the Province's financial statements as they have been for the past 14 years.

Ontario is committed to acting on all of the panel's recommendations. We will prepare future financial statements based on the panel's advice.

The government remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

Questions and Answers
Pension Asset Expert Advisory Panel Report

2. What is the Province's new deficit figure for 2015-16? In the 2015-16 Public Accounts you said it was \$5 billion based on the Auditor General's math.

By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to \$3.5B, from the \$5B originally reported in the 2015-16 Public Accounts.

3. Are you saying the Auditor General is wrong?

Pension accounting is a complex issue that requires the application of professional judgment. With the help of the unique professional skillsets and perspectives of the independent advisory panel, we now have additional advice on how public sector accounting standards should be interpreted as they apply to the Province's jointly-sponsored pension plans.

Ontario has a strong track record of producing high-quality financial reports on a timely basis. In fact, prior to 2015-16, Ontario had clean audit opinions for 22 years.

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management.

4. The panel doesn't have the authority to overrule the Auditor General, so what was the point of establishing it?

At the end of the day these are the Province's financial statements. In the Auditor General's 2016 Annual Report, she acknowledged that as the preparers of the financial statements, the Province is ultimately responsible for deciding how to apply the accounting standards.

The panel's recommendations help clarify how public sector accounting standards are interpreted as they apply to jointly-sponsored pension assets and we thank them for their work on this complex issue. Ontario is committed to acting on all of the panel's recommendations.

We have also shared the panel's advice with the Auditor General and we look forward to further discussions in the hopes of reaching agreement on how the accounting standard is applied to future financial statements.

5. Have you spoken to the Auditor General about the panel's findings?

The panel sought input from the Auditor General as part of their research and deliberations. Prior to the release of the panel's report, they also shared a copy with the Auditor General's office and met with her to review their findings. Also, the ministry spoke with the Auditor General to discuss the panel's findings.

6. What will the government do if the Auditor General does not accept the panel's recommendations?

At the end of the day these are the Province's financial statements. In the Auditor General's 2016 Annual Report, she acknowledged that as the preparers of the

Questions and Answers
Pension Asset Expert Advisory Panel Report

financial statements, the Province is ultimately responsible for deciding how to apply the accounting standards.

The panel's advice will help inform discussions with the Auditor General in the hopes of reaching agreement on how the accounting standard is applied to future financial statements.

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. Ontario has a strong track record of producing high-quality financial reports on a timely basis. Prior to 2015-16, Ontario had clean audit opinions for 22 years. We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management.

The treatment of pension assets is a complex accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review pension accounting standards. The Public Sector Accounting Board 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 provide input through the process set out by the board.

If pressed:

We can't speculate on what the Auditor General will do. Our intention is to prepare future financial statements based on the panel's advice.

We are committed to balancing the budget by 2017-18, and remaining balanced in 2018-19.

7. The Auditor General claimed you used creative accounting to overstate your numbers – how do you respond to that?

That is simply not true. For the 2015-16 Public Accounts, the government passed a time-limited regulation to allow us to amend our accounting policies in order to be consistent with the Auditor General's assessment of our treatment of pension assets. This reflects the fiscal outcome proposed by the Auditor General. The use of a time-limited regulation enabled the professional staff to take responsibility for the financial statements, while dealing with a very complex issue that warranted additional time to resolve.

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 had also been accepted by three previous Auditors General.

If pressed about Ontario's plans compared to other jurisdictions:

Pension accounting is a complex issue. Extensive research and analysis has been done internally comparing Ontario's plans to other jurisdictions. It should be pointed out that the pension plans for New Brunswick and British Columbia are different than Ontario's; therefore the accounting treatment is different.

Questions and Answers
Pension Asset Expert Advisory Panel Report

With the help of the unique professional skillsets and perspectives of the members of the independent advisory panel, we now have additional advice on how public sector accounting standards should be interpreted as they apply to jointly-sponsored pension plans in Ontario.

We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management and high quality reporting.

8. The government picked the panel members and paid for their services. Some would say you simply bought the advice you wanted, when you didn't like what the Auditor General had to say. How do you respond?

At the end of the day these are the Province's financial statements. In the Auditor General's 2016 Annual Report, she acknowledged that as the preparers of the financial statements, the Province is ultimately responsible for deciding how to apply the accounting standards.

The panel was completely independent from government. It arrived at its advice based on its own analysis of this complex issue.

The panel members were carefully chosen for their expertise in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards:

- Tricia O'Malley is a Chartered Professional Accountant. She has been a member of the Canadian Accounting Standards Oversight Council since 2013, was Chair of the Canadian Accounting Standards Board (AcSB), and was a member of the International Accounting Standards Board (IASB) from 2001.
- Murray Gold is a leading legal practitioner and senior pension and benefits partner at Koskie Minsky LLP,
- Uros Karadzic is a senior actuary at Ernst and Young's People Advisory Services Reward practice, which includes pension, benefit and compensation consulting, and
- Paul Martin is a Chartered Professional Accountant, Comptroller with the Government of New Brunswick and previously a partner with the national accounting firm of Grant Thornton LLP.

Per the terms of reference, the panel was also supported by a small group of civil servants which provided information related to the pension plans sponsored by the Province of Ontario.

9. The Auditor General says she has a number of accounting opinions supporting her position. How do you respond to that?

We don't know who provided those opinions, what questions they were asked or what information they based their assessments on, so I can't comment on it. In forming an opinion however; we can't overstate how important it is to consider all relevant facts. In that regard, we are pleased that the panel's report is being made public so that others will also have access to the same set of facts for further consideration.

Questions and Answers
Pension Asset Expert Advisory Panel Report

The government has been fully transparent about the Pension Asset Expert Advisory Panel and how it arrived at its conclusions.

10. Was there something wrong with the accounting rules 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 had also been accepted by three previous Auditors General.

Ontario's strong track record of producing high-quality financial reports is also evidenced by the fact that the Province had clean audit opinions for 22 years before 2015-16.

We understand that the Auditor General's interest in the Province's accounting for net pension assets arose last summer as part of her review of pension related assumptions and the significant impact that the net asset position of the plans on the Province's fiscal results.

11. How did 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 have impacted the Province's accounting for net pension assets of jointly-sponsored pension plans.

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

Since the difference of opinion could not be resolved, the government passed a regulation to allow us to report the net pension assets for jointly-sponsored pension plans consistent with the Auditor's interpretation of the accounting standards.

12. The Auditor General has said the government needs to have unilateral control in order to recognize a pension asset for a jointly-defined benefit plan. What did the panel recommend?

This was one of the issues on which the panel was asked to provide advice and recommendations to the government.

The panel's report aligns with the Province's position that unilateral control for jointly-defined benefit plans is not required in order for the net pension assets to be recognized in the Province's financial statements.

13. If the jointly-sponsored plans are in surplus, is there a plan to reduce member contributions?

Reducing member contributions is something that would require discussion and agreement between both plan sponsors.

Questions and Answers
Pension Asset Expert Advisory Panel Report

We are pleased that the independent panel agrees with Ontario's view that net pension assets for jointly-sponsored pension plans should continue to be recognized in the Province's financial statements as they have been for the past 14 years.

14. Will you continue to accept qualified opinions in the future?

We will continue to move forward and present the Province's finances fairly and accurately. We are committed to balancing the Budget by 2017-18, and remaining balanced in 2018-19.

I cannot speculate on how the Auditor General will characterize her future audit work. That decision is up to her.

However, we would like to remind you that the audit opinion for 2015-16 was not qualified but rather the Auditor General qualified her opinion for the 2014-15 comparative results which did not reflect the regulated accounting.

Ontario has a strong track record of producing high-quality financial reports on a timely basis. In fact, prior to 2015-16, Ontario had clean audit opinions for 22 years.

We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management.

15. Is the government going to restate the 2015-16 Public Accounts?

The 2015-16 Public Accounts were issued and reflected the regulated accounting treatment which was applicable to that year only.

We plan to formally restate these amounts in the 2016-17 Public Accounts, so that the net pension assets are presented on a consistent basis.

16. What does this mean for the upcoming Budget?

Commented [EK01]: Reminder: Reconfirm with MOF

The 2017 Budget will reflect the appropriate accounting treatment for net pension assets informed by the panel's report, including the Province's updated Interim numbers for 2016-17, as well as forecasts for the fiscal planning period.

We are committed to balancing the Budget by 2017-18, and remaining balanced in 2018-19. We will have more details to share about the Budget in the coming weeks.

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

This is not true from the government's perspective. In fact, we look forward to resolving our difference of opinion between the Province's professional accounting staff and the Auditor General's Office.

We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management and high quality financial reporting.

If asked to explain the history of this issue:

Questions and Answers

Pension Asset Expert Advisory Panel Report

In preparing the 2015-16 Public Accounts of Ontario, the Province's professional accounting staff and the Auditor General's Office engaged in discussions about the appropriate application of Public Sector Accounting Board (PSAB) standards regarding pension accounting for the Province's jointly sponsored pension plans.

From the government's perspective, the accounting treatment for jointly sponsored pension plans that was initially adopted in 2001 was and is still appropriate. Given the difference of opinion at the time, the Province filed a time-limited regulation, which legislated the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts only. This was consistent with the fiscal outcome proposed by the Auditor General.

Since the release of the Public Accounts, the government established a Pension Asset Expert Advisory Panel to provide independent advice on the interpretation of the accounting standards to Ontario's defined benefit pension plans. This panel has now provided its report on jointly-sponsored pension plans to the government and it has been shared with the Auditor General and the public.

The government will continue to present the Province's finances fairly and accurately.

18. What do you say to the credit rating agencies who are watching all of this unfold?

Commented [EK02]: Reminder: Reconfirm with MOF

We have been impressed with the level of cooperation and understanding of the credit rating agency community.

I would say we have achieved clarity on this complex accounting issue.

We are committed to balancing the Budget by 2017-18, and remaining balanced in 2018-19. 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.

19. How will skyrocketing executive pay in the college sector affect the government's path to balance?

Ontario has implemented a framework for broader public sector executive compensation, including capping salary and performance-related payments.

The Executive Compensation Framework regulation came into force on September 6, 2016 and applies to all designated employers under the Broader Public Sector Executive Compensation Act, 2014 (BPSECA).

The Executive Compensation Framework is designed to ensure transparency and accountability in how broader public sector employers set executive compensation. Under the framework, designated employers must seek public comment as part of developing their executive compensation program.

The Executive Compensation Framework caps salary and performance-related payments for designated executives at no more than the 50th percentile of

Questions and Answers
Pension Asset Expert Advisory Panel Report

appropriate comparators and prohibits signing bonuses, retention bonuses, cash housing allowances and pay in lieu of perquisites.

These requirements will ensure that broader public sector organizations are accountable for compensation decisions and are able to attract and retain the necessary talent to deliver high quality public services while managing public dollars responsibly.

20. How long have you had the report?

The panel submitted its report in late January. We've used this time to analyze the recommendations, and prepare it for public release.

21. When you announced the panel in October 2016, you said the report was due to the President of the Treasury Board and the Auditor General of Ontario by the end of 2016. What happened?

When the panel was announced in October 2016, we had not yet identified the members. Once the panel was established, it was determined by the members that they would need additional time to conduct a thorough review of the issues at hand.

22. Were the panel's recommendations unanimous?

Yes, the panel's recommendations were unanimous.

23. Would you still have accepted the panel's recommendations if they weren't favourable to you?

I'm not going to speculate on something that didn't happen.

What I will say is that the panel took every effort to ensure that it had a complete understanding of the facts and studied this complex issue extensively. We are pleased that the panel's results are consistent with Ontario's view that net pension assets for jointly-sponsored plans and should continue to be recognized in the Province's financial statements, as they have been for the past 14 years.

24. Your government keeps establishing panels to resolve your issues. Why can't you just make a decision?

Pension accounting is a complex issue. We need the best advice in order to make well-informed decisions. Sometimes this means seeking independent expertise.

The Pension Asset Expert Advisory Panel members were carefully chosen for their expertise in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards.

With the help of the unique professional skillsets and perspectives of the independent advisory panel, we now have additional advice on how public sector accounting standards should be interpreted as they apply to jointly-sponsored pension plans.

Questions and Answers
Pension Asset Expert Advisory Panel Report

BACKGROUND QUESTIONS:

Jointly-sponsored Pension Plans:

25. What is a jointly-sponsored pension plan?

A joint defined benefit plan is a contractual arrangement between the government and another sponsor or sponsors representing plan participants

The Ontario Public Service Employees 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 sponsors have shared control over the retirement benefit plan, and ensure that neither party is in a position to control the plan unilaterally. 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.

26. What did the Pension Asset Expert Advisory Panel do?

The Pension Asset Expert Advisory Panel has delivered advice and recommendations to the government on the application of Public Service Accounting Standards (PSAS) to Ontario's net pension assets for two joint defined benefit pension plans – Ontario Teachers' Pension Plan and Ontario Public Service Employees' Union Pension Plan.

The panel agrees that the net pension asset for each plan should be recognized as part of the Province's financial position.

Recognizing the asset will provide a faithful representation of Ontario's financial position.

27. How did the panel reach its conclusions?

The panel received and reviewed background information, including the governing documents of the plans and related agreements. It also received analyses from both the government and the Auditor General, setting out their respective understanding of the facts and their conclusions.

The panel met with both the government's professional accounting staff and the Auditor General and her Public Accounts staff responsible for the pension issue to ensure the panel fully understood their thinking. The panel then performed its own independent analysis of the documents and of the legal, actuarial and accounting issues using the expertise and experience of its members.

28. Who was on the panel?

The membership of the Pension Asset Expert Advisory Panel was comprised of accounting, legal, and pension experts in the areas of jointly sponsored pension plans governance, actuarial modelling for pension plans and Public Sector Accounting Standards.

Questions and Answers
Pension Asset Expert Advisory Panel Report

The panel included:

- Tricia O'Malley (Chair)
- Murray Gold
- Uros Karadzic and
- Paul Martin.

29. How much will they be paid? What was the total cost spent on this report?

The Chair will be compensated at \$2,000 per diem and \$1,900 per diem for the other members.

Panel members will also be reimbursed for reasonable expenses incurred in connection with their duties in accordance with Treasury Board/Management Board of Cabinet Directives and Guidelines.

The total amount the panel will be paid will be determined once their work is complete. According to the panel terms of reference, this is scheduled to end on March 31, 2017.

IF ASKED ABOUT PAUL MARTIN:

As a member of the public service of the Province of New Brunswick, Mr. Martin did not receive compensation. He was only eligible for expense reimbursements.

Ontario's Financial Position:

Commented [EK03]: Reminder: Reconfirm with MOF

30. Some have said your government has a spending problem, not a revenue problem. What do you say to that?

Even with adopting the Auditor General's view of the 2015-16 Public Accounts, the government still beat its annual deficit target for the seventh year in a row.

The government is projecting a balanced the budget by 2017-18, and remaining balanced in 2018-19.

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

Questions and Answers
Pension Asset Expert Advisory Panel Report

31. 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, and remaining balanced in 2018-19.

Even with adopting the Auditor General's view of the 2015-16 Public Accounts, the government still beat its annual deficit target for the seventh year in a row. This reflects 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.

32. 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.

Legislated Accounting:

33. Is the disagreement over 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 annual deficit targets and is on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Prior to implementing the change to the 2015-16 Public Accounts, 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 and by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

Questions and Answers
Pension Asset Expert Advisory Panel Report

In fact, Ontario has a strong track record of producing high-quality financial reports on a timely basis. Prior to 2015-16, Ontario had clean audit opinions for 22 years.

10 - PAEAP Report Release_Statement_v8_20170203.doc

Pension Asset Expert Advisory Panel Report Press Conference

**Statement by
The Honourable Liz Sandals**

February 13, 2017

Time TBC

Location TBC

Toronto, Ontario

Estimated Length: 2 minutes (XXX words)

- Today, the Pension Asset Expert Advisory Panel released its report to the government.
- This independent panel was formed to deliver advice and recommendations on a complex accounting issue.
- The issue was the interpretation of accounting standards to Ontario's jointly sponsored pension plans.
- The panel members have expertise in the areas of public sector accounting standards, actuarial modelling, and legal frameworks of pension plans.
- I would like to thank the panel for their thorough analysis and recommendations on this important issue.
- We are pleased that the panel's results support Ontario's view that the net pension assets for Ontario's jointly sponsored plans should continue to be recognized in the province's financial statements, as they have been for the past 14 years.

- Ontario is accepting the panel's findings, which help to confirm the Province's accounting policy for pensions in the Province's financial reports.
- Consistent with the Panel's recommendations, the Province will record an asset in its financial statements for its share of a surplus reported in the accounting valuations of its two jointly sponsored pension plans:
 - o the Ontario Teachers' Pension Plan, and
 - o the Ontario Public Sector Employees' Union Pension Plan.
- By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to \$3.5B, from the \$5B originally reported in the 2015-16 Public Accounts.

- Transparency and accountability in financial reporting, and responsible fiscal management are a key priorities for this government.
- We remain firmly committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19, while continuing to invest in the priorities that matter to Ontarians.
- We will continue to present the province's finances fairly and accurately as we work to improve the lives of all Ontarians.
- I will now turn it over to my colleague, Minister Sousa, who will deliver a brief statement. Following that we would be happy to take your questions.

10A - February 3 2017 - RE_ Panel products approval.pdf

From: [Hosick, Sarah \(TBS\)](#)
To: [Petsche, Nadine \(TBS\)](#)
Cc: [Veinot, Cindy \(TBS\)](#); [Tam, Nelson \(TBS\)](#)
Subject: RE: Panel products approval
Date: February-03-17 1:21:16 PM

Hi Nadine,

The minister's quote below doesn't necessarily read to me that the Panel opined on Ontario's view. It says Ontario's view is that net pension assets for these plans should continue to be recognized, and that the Panel's results are aligned.

If we had raised it earlier, it would be easier to bring up this change, but this has already gone up to MO.

I would need specific wording proposed as an edit if we are to go up to MO on this at this point.

Happy to discuss.
Thanks
Sarah

From: Petsche, Nadine (TBS)
Sent: February-03-17 1:13 PM
To: Hosick, Sarah (TBS)
Cc: Veinot, Cindy (TBS); Tam, Nelson (TBS)
Subject: RE: Panel products approval

Sarah,
Although it would be more consistent and appropriate to use the term financial reports instead of financial statements, it's not a big deal (difference being that the accounting will also be applied to Budgets and quarterly updates).

A bigger issue to flag is any suggestion that the Panel commented on the Province's accounting treatment which it did NOT. Alternative wording is below: We are pleased that the results of the independent panel align [\[np1\]](#) with Ontario's view that net pension assets for jointly-sponsored pension plans should continue to be recognized in the Province's financial statements as they have been for the past 14 years.

From: Hosick, Sarah (TBS)
Sent: February 3, 2017 12:43 PM
To: Veinot, Cindy (TBS); Petsche, Nadine (TBS); Tam, Nelson (TBS)
Subject: FW: Panel products approval

FYI – Comms rejected some of our wording changes. E.g., saying financial statements instead of Public Accounts (that we did for consistency).

They want it to match previously published language and plain language needs.

Happy to discuss and/or clarify with Comms

Thanks

Sarah

From: Ovenden, Erin (TBS)
Sent: February-03-17 11:54 AM
To: Laughton, Patrick (TBS); Hosick, Sarah (TBS)
Cc: Jackson, Sarah (TBS); Sullivan, Bryant (TBS); Miller, Amanda (TBS)
Subject: RE: Panel products approval

Hi-

MO wants the products by noon.

We reviewed the OPCD approved products. We've accepted most of the edits, especially where it was a factual change. But with regards to the news release we had to revert back to the original in a number of places. This is purely due to POCOMO style preferences and plain language needs. Where we weren't sure, we used the pre-approved and published language that was in the November news release.

Please let us know if we've left in any factual errors and we'll fix them.

Thank you for all your support on this.

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: Laughton, Patrick (TBS)
Sent: February-03-17 11:00 AM
To: Ovenden, Erin (TBS); Hosick, Sarah (TBS)
Subject: RE: Panel products approval

Thank you both.

From: Ovenden, Erin (TBS)
Sent: February-03-17 10:43 AM
To: Hosick, Sarah (TBS); Laughton, Patrick (TBS); Miller, Amanda (TBS)
Subject: RE: Panel products approval

Awesome, thank you. I'll wait for Karen's approval, but if MO calls these are the ones I'll have to move forward.

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: Hosick, Sarah (TBS)
Sent: February-03-17 10:41 AM
To: Laughton, Patrick (TBS); Miller, Amanda (TBS)
Cc: Ovenden, Erin (TBS)
Subject: RE: Panel products approval

Attached are the ones approved at the OPCD level.

From: Laughton, Patrick (TBS)
Sent: February-03-17 10:38 AM
To: Miller, Amanda (TBS)
Cc: Ovenden, Erin (TBS); Hosick, Sarah (TBS)
Subject: RE: Panel products approval

Hi Erin –

Karen hasn't had the chance to do review but is ok for these to go.

P.

From: Miller, Amanda (TBS)
Sent: February-02-17 6:12 PM
To: Laughton, Patrick (TBS)
Cc: Ovenden, Erin (TBS); Hosick, Sarah (TBS)
Subject: Panel products approval

Hi, Patrick,

I understand Karen is reviewing the draft news release, statement and QAs in connection with the pension panel report.

We are aiming to move those along to MO tomorrow, and I've been in touch with Sarah Hosick over the past couple days on status. Tomorrow (Friday) I'll be supporting an interview panel so won't be available throughout the day.

Erin Ovenden is our comms lead and you're welcome to connect with her directly on any questions, revisions or updates, and with the final docs.

Thanks for your support keeping this one moving,

Amanda

Sent from my BlackBerry 10 smartphone on the Rogers network.

very important. They did not opine on Ontario's accounting.

11 - Email - February 7 2017 - RE_ FYI_ MO Edits to PAEAP Report News Release.pdf

From: [Hosick, Sarah \(TBS\)](#)
To: [Tam, Nelson \(TBS\)](#)
Cc: [Petsche, Nadine \(TBS\)](#); [Veinot, Cindy \(TBS\)](#)
Subject: RE: FYI: MO Edits to PAEAP Report News Release
Date: February-07-17 3:16:10 PM

Thanks! Nadine/Cindy if you have any concerns please raise asap.

From: Tam, Nelson (TBS)
Sent: February-07-17 3:16 PM
To: Hosick, Sarah (TBS)
Cc: Petsche, Nadine (TBS); Veinot, Cindy (TBS)
Subject: RE: FYI: MO Edits to PAEAP Report News Release

Sarah

I am okay with the updated NR. The second paragraph is consistent with the Panel's advice which was

“The Government should record an asset in the Public Accounts for its share of the surplus reported in the accounting valuations of OTPP and OPSEUPP.”

Thanks

Nelson
X20514

From: Hosick, Sarah (TBS)
Sent: February-07-17 2:05 PM
To: Tam, Nelson (TBS)
Cc: Petsche, Nadine (TBS); Veinot, Cindy (TBS)
Subject: Fw: FYI: MO Edits to PAEAP Report News Release
Importance: High

Hi nelson

Can you please fact check the attached updated NR? In particular the panel's conclusions in second paragraph jumped out at me.

MOF will fact check the quick fact #s

Thanks

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Ovenden, Erin (TBS) <Erin.Ovenden@ontario.ca>
Sent: Tuesday, February 7, 2017 1:29 PM
To: Hosick, Sarah (TBS); Laughton, Patrick (TBS)
Cc: Miller, Amanda (TBS); Sullivan, Bryant (TBS)

Subject: FYI: MO Edits to PAEAP Report News Release

Hi Sarah and Patrick-

MO have made edits to the PAEAP News Release (see attached). They need us to do a **quick factual review before 3:15 p.m. today**. The new numbers in the Quick Facts are with MOF for review. Please let us know if there is anything else in the updated version that we need to flag.

Thanks,

Erin Ovenden

Senior Communications Consultant

Communications Branch | Treasury Board Secretariat

77 Wellesley Street West, Ferguson Block

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Tel: 416-326-7727

11 - PAEAP Report NR_v11_MO edits_20170207 1315 tracked.doc

Pension Asset Expert Advisory Panel Submits Final Report

*Government Accepts Independent Panel's Recommendations
on Accounting for Pension Plans*

NEWS

February XX, 2017

The Pension Asset Expert Advisory Panel has released its independent advice and recommendations on the application of public sector accounting standards to two of Ontario's jointly sponsored pension plans. ~~In its report, the panel supports the accounting treatment that Ontario has used consistently since 2001. The government is accepting the panel's recommendations, which will inform the preparation of the Province's financial statements.~~

~~The panel's report concluded that the province's share of the net pension assets of both the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Sector Employees' Union Pension Plan (OPSEUPP) should be recognized in Ontario's financial statements.~~

~~In preparing the 2015-16 Public Accounts of Ontario, the Province's professional accounting staff and the Auditor General's Office engaged in discussions about the appropriate application of Public Sector Accounting Board (PSAB) standards regarding pension accounting for the Province's jointly sponsored pension plans: the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Sector Employees' Union Pension Plan (OPSEUPP).~~

~~In preparing the 2015-16 Public Accounts of Ontario, the Province's professional accounting staff and the Auditor General's Office could not reach an agreement on the appropriate application of the Public Sector Accounting Board (PSAB) standards regarding pension accounting for the Province's jointly-sponsored pension plans.~~

The government formed the Pension Asset Expert Advisory Panel to provide independent advice on how public sector accounting standards are interpreted as they apply to net pension assets. The panel members have expertise in the areas of jointly-sponsored pension plans governance, actuarial modelling for pension plans and Public Sector Accounting Standards.

~~The panel's report concluded that the net pension assets of both the OTPP and the OPSEUPP should be recognized in Ontario's financial statements. Applying the accounting standards shows no reduction in value of either asset is required.~~

~~Ontario is accepting the panel's recommendations, which will inform the preparation of the Province's future financial statements.~~

The Province remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

Responsible financial management is part of the government's plan to create jobs, grow the economy and help people in their everyday lives.

QUOTES

"I would like to thank the expert advisory panel for their thorough analysis and recommendations on this complex accounting issue. ~~We are pleased that the Panel's advice aligns with Ontario's view that net pension assets should continue to be recognized in Ontario's financial reports, as they have been for the past 14 years. We accept the advice of the panel and will use it in preparing the province's financial statements.~~"

— Liz Sandals, President of the Treasury Board

"With the help of the unique professional skillsets and perspectives of the independent advisory panel, we now have additional advice on how to account for jointly-sponsored pension assets. This advice will help us continue to present the province's finances fairly and accurately, as we work toward balancing the budget in 2017-18."

— Charles Sousa, Minister of Finance (TBC MOF)

QUICK FACTS

- ~~By applying the panel's advice, the province would see a reduction in Ontario's debt is now deficit would be lowered to \$3.5B, from \$5B\$10.7 billion.~~
- ~~For 2015-16, this means the province's deficit has been lowered by \$1.5 billion.~~
- ~~For 2016-17, the province's fiscal position will improve by \$2.2 billion.~~
- ~~In its report, the panel supports the accounting treatment that Ontario has used consistently since 2001.~~
- In the coming weeks, the panel will issue a supplemental report that will provide advice and recommendations on how to account for potential future net pension assets related to the Healthcare of Ontario Pension Plan (HOOPP) and the Colleges of Applied Arts and Technology Pension Plan (CAATPP).

Commented [LT1]: Language on these will need to be refined

ADDITIONAL RESOURCES

Read the panel's report: [\[insert hyperlink\]](#)

[Pension Asset Expert Advisory Panel Members](#)

[Pension Asset Expert Advisory Panel Terms of Reference](#)

[Read the 2015-16 Public Accounts of Ontario](#)

[Learn about the government's fiscal cycle](#)

Field Code Changed

12 - Email - February 8 2017 - FW_ FYI_ MO Approved PAEAP News Release.pdf

From: [Hosick, Sarah \(TBS\)](#)
To: [Veinot, Cindy \(TBS\)](#); [Petsche, Nadine \(TBS\)](#); [Tam, Nelson \(TBS\)](#)
Subject: FW: FYI: MO Approved PAEAP News Release
Date: February-08-17 5:26:21 PM
Attachments: [PAEAP Report NR v15 PO edits MO ok 20170208 1620.doc](#)

FYI

From: Ovenden, Erin (TBS)
Sent: February-08-17 5:25 PM
To: Hosick, Sarah (TBS); Laughton, Patrick (TBS)
Cc: Miller, Amanda (TBS)
Subject: FYI: MO Approved PAEAP News Release

Please find attached the MO approved news release for the PAEAP Report.

This version was updated to reflect PO's edits and MOF MO's edits. It's now with CO for approval.
Please share as FYI to anyone in your area that would be interested.

Thanks again for all your help and support.

Erin Ovenden

Senior Communications Consultant

Communications Branch | Treasury Board Secretariat

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Tel: 416-326-7727

PAEAP Report NR_v15_PO edits_MO ok_20170208 16.pdf

Pension Asset Expert Advisory Panel Submits Final Report

*Government Accepts Independent Panel's Recommendations
on Accounting for Pension Plans*

NEWS

February 13, 2017

The Pension Asset Expert Advisory Panel has released its independent advice and recommendations on the application of public sector accounting standards to two of Ontario's jointly sponsored pension plans: the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Sector Employees' Union Pension Plan (OPSEUPP).

The panel's report concluded that the province's share of the net pension assets of both the OTPP and the OPSEUPP should be recognized in Ontario's financial statements, which Ontario has done consistently since 2001.

The panel's report outlined the following reasons why an asset exists:

- Recognizing the asset will provide a faithful representation of the Province's financial position
- The accounting surplus in the plan has a future economic benefit
- The government controls access to that accounting surplus
- The accounting surplus exists as the result of past transactions and events
- It would be misleading not to recognize the Province's share of the assets in Public Accounts

As a result, the government is accepting the panel's recommendations, which will inform the preparation of the Province's financial statements.

The Province remains on track to balance the budget by 2017-18, and remain balanced in 2018-19.

Responsible financial management is part of the government's plan to create jobs, grow our economy and help people in their everyday lives.

QUOTES

"TBC I would like to thank the expert advisory panel for their thorough analysis and recommendations on this complex accounting issue. We accept the advice of the panel and will use it in preparing the province's financial statements."

— Liz Sandals, President of the Treasury Board

"As a result of the expert assessment of the independent advisory panel, we now have additional advice on how to account for these jointly sponsored pension plans as assets. This advice will help us continue to present the province's finances fairly and accurately, as we work toward balancing the budget in 2017-18. We will provide a full update on the Province's fiscal situation in the near future."

— Charles Sousa, Minister of Finance

QUICK FACTS

- By applying the panel's advice, the province would see a reduction in debt to now \$10.7 billion.
- For 2015-16, this means the province's deficit has been lowered by \$1.5 billion.
- In preparing the 2015-16 Public Accounts of Ontario, the Province's professional accounting staff and the Auditor General's Office could not reach an agreement on the appropriate application of the Public Sector Accounting Board standards regarding pension accounting for the Province's jointly sponsored pension plans.
- The government formed the Pension Asset Expert Advisory Panel to provide independent advice on how public sector accounting standards are interpreted as they apply to net pension assets.
- The panel members have expertise in the areas of jointly sponsored pension plan governance, actuarial modelling for pension plans and Public Sector Accounting Standards.
- In the coming weeks, the panel will issue a supplemental report that will provide advice and recommendations on how to account for potential future net pension assets related to the Healthcare of Ontario Pension Plan (HOOPP) and the Colleges of Applied Arts and Technology Pension Plan (CAATPP).

ADDITIONAL RESOURCES

Read the panel's report: [\[insert hyperlink\]](#)

[Pension Asset Expert Advisory Panel Members](#)

[Pension Asset Expert Advisory Panel Terms of Reference](#)

[Read the 2015-16 Public Accounts of Ontario](#)

[Learn about the government's fiscal cycle](#)

12 - PAEAP Report NR_v15_PO edits_MO ok_20170208 1620.doc

Pension Asset Expert Advisory Panel Submits Final Report

*Government Accepts Independent Panel's Recommendations
on Accounting for Pension Plans*

NEWS

February 13, 2017

The Pension Asset Expert Advisory Panel has released its independent advice and recommendations on the application of public sector accounting standards to two of Ontario's jointly sponsored pension plans: the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Sector Employees' Union Pension Plan (OPSEUPP).

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ADDITIONAL RESOURCES

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13 - Email - February 9 2017 - Fw_ FYI_ MO Approved PAEAP News Release.pdf

From: [Hosick, Sarah \(TBS\)](#)
To: [Petsche, Nadine \(TBS\)](#); [Tam, Nelson \(TBS\)](#)
Subject: Fw: FYI: MO Approved PAEAP News Release
Date: February-09-17 9:59:43 AM
Attachments: [PAEAP Report NR v15 PO edits MO ok 20170208 1620 cv.doc](#)

FYI

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Hosick, Sarah (TBS) <Sarah.Hosick@ontario.ca>
Sent: Thursday, February 9, 2017 8:22 AM
To: Ovenden, Erin (TBS); Laughton, Patrick (TBS)
Cc: Miller, Amanda (TBS)
Subject: RE: FYI: MO Approved PAEAP News Release

Hi Erin,

Please see attached for edits and explanations

Thanks
Sarah

From: Ovenden, Erin (TBS)
Sent: February-09-17 8:11 AM
To: Hosick, Sarah (TBS); Laughton, Patrick (TBS)
Cc: Miller, Amanda (TBS)
Subject: RE: FYI: MO Approved PAEAP News Release

Hi-

We alerted DMO and CO that you had concerns with the release and were fact checking it last night.
We need these edits/suggestions **no later than 10:00 a.m. today** please. 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

From: Ovenden, Erin (TBS)
Sent: February-08-17 5:25 PM
To: Hosick, Sarah (TBS); Laughton, Patrick (TBS)
Cc: Miller, Amanda (TBS)
Subject: FYI: MO Approved PAEAP News Release

Please find attached the MO approved news release for the PAEAP Report.

This version was updated to reflect PO's edits and MOF MO's edits. It's now with CO for approval.
Please share as FYI to anyone in your area that would be interested.

Thanks again for all your help and support.

Erin Ovenden

Senior Communications Consultant

Communications Branch | Treasury Board Secretariat

77 Wellesley Street West, Ferguson Block

Toronto, ON M7A 1N3

Tel: 416-326-7727

PAEAP Report NR_v15_PO edits_MO ok_20170208 16_1.pdf

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*Government Accepts Independent Panel's Recommendations
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14 - Email - February 11 2017 - RE_ PAEAP NR Fact Check TBD.pdf

From: [Petsche, Nadine \(TBS\)](#)
To: [Hosick, Sarah \(TBS\)](#); [Veinot, Cindy \(TBS\)](#)
Cc: [Laughton, Patrick \(TBS\)](#); [Tam, Nelson \(TBS\)](#)
Subject: RE: PAEAP NR Fact Check TBD
Date: February-11-17 9:42:20 PM
Attachments: [PAEAP Report NR v18 COPO edits 20170211np.doc](#)

Sarah/Cindy,

My comments are attached. There are a couple of specific sections (highlighted) for Cindy's attention. Nadine

From: Hosick, Sarah (TBS)
Sent: February-11-17 3:32 PM
To: Veinot, Cindy (TBS); Petsche, Nadine (TBS); Tam, Nelson (TBS)
Cc: Laughton, Patrick (TBS)
Subject: Fw: PAEAP NR Fact Check TBD
Importance: High

Hi Cindy, Nadine, nelson,

Attached is the NR with CO and PO edits in tracked changes. Most edits look small with the most substantial an added paragraph on Tricia's background in the Quick Facts section .

If you see any factual errors please raise asap. Translation is happening tomorrow.

Thanks
Sarah

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Ovenden, Erin (TBS) <Erin.Ovenden@ontario.ca>
Sent: Saturday, February 11, 2017 3:14 PM
To: Hosick, Sarah (TBS); Laughton, Patrick (TBS)
Cc: Miller, Amanda (TBS); Sullivan, Bryant (TBS); DiMuzio, Sofie (TBS)
Subject: RE: PAEAP NR Fact Check TBD

Hi-

CO PO tracked changes to the news release are attached. At a glance, the edits don't seem superficial but I want to make sure there are no factual errors due to the changes. Please do a final fact check today and get this back to me. We have the translator available tomorrow.

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

From: Hosick, Sarah (TBS)
Sent: February 10, 2017 4:47 PM
To: Ovenden, Erin (TBS); Laughton, Patrick (TBS)
Cc: Miller, Amanda (TBS); Sullivan, Bryant (TBS); DiMuzio, Sofie (TBS)
Subject: RE: PAEAP NR Fact Check TBD

Thanks Erin. I will alert Cindy that the NR will likely come late tonight or tomorrow.

From: Ovenden, Erin (TBS)
Sent: February-10-17 3:58 PM
To: Laughton, Patrick (TBS); Hosick, Sarah (TBS)
Cc: Miller, Amanda (TBS); Sullivan, Bryant (TBS); DiMuzio, Sofie (TBS)
Subject: PAEAP NR Fact Check TBD

Hi-

We are still waiting for the news release to be approved by CO and PO. As I mentioned this morning, we're likely going to need to do a final fact check on this once we get it. Are folks available this evening and possibly Saturday to make this happen?

Please let me know.

Erin Ovenden

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Cc: [Laughton, Patrick \(TBS\)](#); [Petsche, Nadine \(TBS\)](#); [Tam, Nelson \(TBS\)](#)
Subject: Re: PAEAP Report NR_v18_COPO edits_20170211
Date: February-12-17 9:20:07 AM

Thanks. I will raise the one change to Comms now.

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Veinot, Cindy (TBS)
Sent: Sunday, February 12, 2017 8:55 AM
To: Hosick, Sarah (TBS)
Cc: Laughton, Patrick (TBS); Petsche, Nadine (TBS); Tam, Nelson (TBS)
Subject: PAEAP Report NR_v18_COPO edits_20170211

I've suggested one change.

Nadine – I think the other highlighted sentence is fine – it's in the executive summary using slightly different words, but the same meaning.

We've in fatal flaw review stage, so I'm not suggesting any of the other changes.

Thanks,

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NEWS

February 13, 2017

The Pension Asset Expert Advisory Panel has released its independent advice and recommendations on the application of public sector accounting standards to two of Ontario's jointly sponsored pension plans: the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Sector Employees' Union Pension Plan (OPSEUPP).

The panel's report concluded that the province's share of the net pension assets of both the OTPP and the OPSEUPP should be recognized as an asset in Ontario's financial statements, ~~which Ontario has done consistently since 2004 and should be reported for.~~

~~The panel's report outlined~~ the following reasons ~~why an asset exists and should be reported in the financial statements:~~

- Recognizing the asset will provide a faithful representation of the pProvince's financial position
- The accounting surplus in the plan has a future economic benefit
- The government controls access to that accounting surplus
- The accounting surplus exists as the result of past transactions and events
- It would be misleading not to recognize the pProvince's share of the assets in Public Accounts.

In addition, the panel concluded that the government will be able to benefit from the full amount of each net pension asset, and as a result, no reduction in the value is necessary.

~~As a result, Until the 2015-16 Public Accounts, the government has recognized pension assets in its financial statements since 2001 and is accepting the panel's recommendations, which will inform the preparation of the Province's financial statements.~~

Commented [CV1]: Statement is not true for 2015-16, hence the change.

Ontario The Province remains on track to balance the budget by 2017-18, and remain balanced in 2018-19.

Responsible financial management is part of the government's plan to create jobs, grow our economy and help people in their everyday lives.

QUOTES

"I would like to thank the expert advisory panel for their thorough analysis and recommendations on this complex accounting issue. We are committed to implementing the advice of this independent panel and will use it in preparing the province's financial statements."

— Liz Sandals, President of the Treasury Board

"As a result of the expert assessment of the independent advisory panel, we now have additional advice on how to account for these jointly sponsored pension plans as assets. This advice will help us continue to present the province's finances fairly and accurately, as we work toward balancing the budget in 2017-18. We will provide a full update on the [pP](#)rovince's fiscal situation in the near future."

— Charles Sousa, Minister of Finance

QUICK FACTS

- For 2015-16, following the advice of the panel means Ontario's deficit would be lowered by \$1.5 billion and its net debt by \$10.7 billion.
- In preparing the 2015-16 Public Accounts of Ontario, the [pP](#)rovince's professional accounting staff and the Auditor General's Office could not reach an agreement on the appropriate application of the Public Sector Accounting Board standards regarding pension accounting for the [pP](#)rovince's jointly sponsored pension plans.
- The government formed the Pension Asset Expert Advisory Panel to provide independent advice on how public sector accounting standards should be applied in regards to net pension assets~~are interpreted as they apply to net pension assets~~.
- The panel members have expertise in the areas of jointly sponsored pension plan governance, actuarial modelling for pension plans and Public Sector Accounting Standards.
- [The Chair of the panel, Tricia O'Malley, was Chair of the Canadian Accounting Standards Board \(AcSB\) from 2009 to 2010 and also served as its first full-time Chair from 1999 to 2001. She was a member of the International Accounting Standards Board \(IASB\) from 2001 until 2007 and she served on its staff as Director of Implementation Activities from 2007 to 2009. Supported by AcSB staff, she chaired the International Forum of Accounting Standard Setters, an informal association of bodies with a responsibility for setting or reviewing accounting standards in their various jurisdictions, from 2011 until April 2016.](#)
- In the coming weeks, the panel will issue a supplemental report that will provide advice and recommendations on how to account for potential future net pension assets related to the Healthcare of Ontario Pension Plan (HOOPP) and the Colleges of Applied Arts and Technology Pension Plan (CAATPP).

ADDITIONAL RESOURCES

Read the panel's report: [\[insert hyperlink\]](#)

[Pension Asset Expert Advisory Panel Members](#)

[Pension Asset Expert Advisory Panel Terms of Reference](#)

[Read the 2015-16 Public Accounts of Ontario](#)

[Learn about the government's fiscal cycle](#)

2 - Email - February 1 2017 - RE_ NR and stmt for approval.pdf

From: [Hosick, Sarah \(TBS\)](#)
To: [Tam, Nelson \(TBS\)](#)
Subject: RE: NR and stmt for approval
Date: February-01-17 10:46:03 AM

Can you have Nadine review and approve before Cindy takes a look?

Thanks

From: Miller, Amanda (TBS)
Sent: February-01-17 10:33 AM
To: Tam, Nelson (TBS)
Cc: Hosick, Sarah (TBS)
Subject: RE: NR and stmt for approval

Thanks, Nelson.

From: Tam, Nelson (TBS)
Sent: February 1, 2017 10:33 AM
To: Miller, Amanda (TBS)
Cc: Hosick, Sarah (TBS)
Subject: RE: NR and stmt for approval

Amanda

They have not been approved by anyone. I will arrange with Sarah to have Cindy review.

Thanks

Nelson
X20514

From: Miller, Amanda (TBS)
Sent: February-01-17 10:30 AM
To: Tam, Nelson (TBS)
Cc: Hosick, Sarah (TBS)
Subject: RE: NR and stmt for approval

Thanks, Nelson.

Are these items approved within your branch? I'd like to confirm to Bryant/Erin/Sarah on our team which people have reviewed and approved so far.

Thanks again,

Amanda

From: Tam, Nelson (TBS)
Sent: February 1, 2017 10:19 AM

To: Miller, Amanda (TBS)
Cc: Hosick, Sarah (TBS)
Subject: RE: NR and stmt for approval

Amanda

Attached are some suggested changes to the NR and Statement (to align to NR).

If you are okay with them, please ensure that Minister Sousa's statement is adjusted accordingly, if applicable.

Thanks

Nelson
X20514

From: Miller, Amanda (TBS)
Sent: January-31-17 3:10 PM
To: Tam, Nelson (TBS)
Cc: Hosick, Sarah (TBS)
Subject: FW: NR and stmt for approval

Hi, Nelson,

Apologies, this went to Dane in Deputy Minister's Office rather than to you directly. I've let Dane know to disregard, and that the materials will follow through to his office through regular channels. He's the DMO policy lead on the file, so is already familiar with the content, so there are no concerns about confidentiality.

Amanda

From: Miller, Amanda (TBS)
Sent: January 31, 2017 12:52 PM
To: Nelson, Dane (TBS); Hosick, Sarah (TBS)
Subject: NR and stmt for approval

Hi, Sarah and Nelson,

I have attached the draft news release and statement for review and approval. I understand these initially went to Nadine on Sunday evening.

With respect to translations—we anticipate receiving the French material later today.

With respect to the possibility of sharing draft QAs with the panel in advance of a press conference—we have updated our media protocol, which sets out the scope of questions either the gov't, public service or panel might respond to; however, we haven't prepared any draft responses to questions. This is, as you mentioned, to preserve the integrity of the panel as fully independent. We may consider the option of providing a list of potential questions the media might pose, so that they

can prepare their own responses and have a general idea of the sort of information they might be required to speak to in that environment. Any decision on that approach would need further discussion between our respective branches.

Regards,

Amanda

Amanda Miller
Executive Communications Coordinator
Communications Branch, Treasury Board Secretariat

Tel: 416-326-8538
BB: 416-989-6110

2 - PAEAP Report NR_v4_20170128 (BS) (current version) with NT comments.doc

Pension Asset Expert Advisory Panel Finds Ontario's Pension Asset Accounting Methods Accurate Appropriate *Province's 2015-16 Deficit Lowered From \$5B To \$XB*

NEWS

February 13, 2017 (TBC)

An independent expert panel has released its advice and recommendations on the application of Public Sector Accounting Standards to Ontario's net pension assets. In its report, the panel found the accounting treatment that Ontario adopted in 2001 for its jointly-sponsored pension plans is still appropriate.

By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to \$XB, from the \$5B originally reported in the 2015-16 Public Accounts.

The panel's recommendations help to clarify the application of the how public sector accounting standards are interpreted as they apply to jointly-sponsored pension assets. Ontario is committed to acting on the panel's recommendations, which will inform the preparation of the Province's future financial statements.

The province remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

Responsible financial management is part of the government's plan to create jobs, grow the economy and help people in their everyday lives.

QUOTES

"I would like to thank the expert panel for their thorough report and recommendations on this complex accounting issue. We are pleased that the panel agrees with Ontario's view that net pension assets should continue to be recognized in the province's financial statements, as they have been for the past 14 years."

— Liz Sandals, President of the Treasury Board

"With the help of the unique professional skillsets and perspectives of the independent advisory panel, we now have clarity on how to account for jointly-sponsored pension assets. This advice will help us continue to present the province's finances fairly and accurately, as we work toward balancing the budget in 2017-18."

— Charles Sousa, Minister of Finance (TBC MOF)

"TBC PLACEHOLDER"

— Tricia O'Malley, Chair, Pension Asset Expert Advisory Panel

QUICK FACTS

- In preparing the 2015-16 Public Accounts of Ontario, the province's professional accounting staff and the Auditor General's Office engaged in discussions about the appropriate application of Public Sector Accounting Board (PSAB) standards regarding pension

accounting for the Province's jointly-sponsored pension plans, the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Sector Employees' Union Pension Plan (OPSEUPP).

- On November 10, 2016, the government formed the Pension Asset Expert Advisory Panel to deliver advice and recommendations on how public sector accounting standards are interpreted as they apply to pension assets. The panel members have expertise in the areas of jointly-sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards.
- The panel's advice is the government should ~~recognize record~~ an asset in the 2015-16 Public Accounts for its share of the OTPP and OPSEUPP surplus. ~~reported in the accounting valuations of the OTPP and OPSEUPP.~~
- In the coming weeks, the panel will issue a supplemental report on how pension assets should be recognized and measured in the Healthcare of Ontario Pension Plan (HOOPP) and the Colleges of Applied Arts and Technology Pension Plan (CAAT).

ADDITIONAL RESOURCES

Read the panel's report: [\[insert hyperlink\]](#)

[Pension Asset Expert Advisory Panel Members](#)

[Pension Asset Expert Advisory Panel Terms of Reference](#)

[Read the 2015-16 Public Accounts of Ontario](#)

[Learn about the government's fiscal cycle](#)

2 - PAEAP Report Release_Statement_v6_20170128 (BS) (current version) (1) with NT comments.doc

Pension Asset Expert Advisory Panel Report Press Conference

**Statement by
The Honourable Liz Sandals**

February 13, 2017

Time TBC

Location TBC

Toronto, Ontario

Estimated Length: 2 minutes (XXX words)

- Today, the Pension Asset Expert Advisory Panel released its final report to the government.
- This independent panel was formed to deliver advice and recommendations on a complex accounting issue.
- That issue was the application of public sector accounting standards to Ontario's net pension assets.
- The panel members have expertise in the areas of ~~jointly-sponsored~~ pension plans, actuarial modelling for pension plans, and Public Sector Accounting Standards.
- I would like to thank the panel for their thorough report and recommendations on this important issue.
- We are pleased that the panel agrees with Ontario's view that net pension assets should continue to be recognized in the province's financial statements, as they have been for the past 14 years.

- Ontario is accepting the panel's findings, which help to clarify the application of how public sector accounting standards ~~are interpreted as they apply~~ to pension assets.
- The Province will apply these findings to its ~~future~~ financial statements.
- In its report, the panel found that the accounting treatment Ontario adopted in 2001 for its jointly-sponsored pension plans is still appropriate today.
- Based on the recommendations, the Province will record an asset in its financial statements for its share of a surplus reported in the accounting valuations of two pension plans:
 - o the Ontario Teachers' Pension Plan, and
 - o the Ontario Public Sector Employees' Union Pension Plan.
- By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to **\$XB**, from the \$5B originally reported in the 2015-16 Public Accounts.

- Responsible fiscal management is a key priority for this government.
- We remain firmly committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19, while continuing to invest in the priorities that matter to Ontarians.
- We will continue to present the province's finances fairly and accurately as we work to improve the lives of all Ontarians.
- I will now turn it over to my colleague, Minister Sousa, who will deliver a brief statement. Following that we would be happy to take your questions.

3 - Email - February 1 2017 - Panel Report - NR and Minister Statement.pdf

From: Tam, Nelson (TBS)
To: [Petsche, Nadine \(TBS\)](#)
Subject: Panel Report - NR and Minister Statement
Date: February-01-17 10:48:00 AM
Attachments: [PAEAP Report Release Statement v6 20170128 \(BS\) \(current version\) \(1\) wi....doc](#)
[PAEAP Report NR v4 20170128 \(BS\) \(current version\) with NT comments.doc](#)

Nadine

Communications prepared the NR and Minister Statement for the release of the report. I made some edits (tracked changes) to the documents. Prior to sending to Cindy for approval, please review and provide any edits.

Thanks

Nelson
X20514

PAEAP Report Release_Statement_v6_20170128 (BS_1.pdf

Pension Asset Expert Advisory Panel Report Press Conference

**Statement by
The Honourable Liz Sandals**

February 13, 2017

Time TBC

Location TBC

Toronto, Ontario

Estimated Length: 2 minutes (XXX words)

- Today, the Pension Asset Expert Advisory Panel released its final report to the government.
- This independent panel was formed to deliver advice and recommendations on a complex accounting issue.
- That issue was the application of public sector accounting standards to Ontario's net pension assets.
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- Ontario is accepting the panel's findings, which help to clarify the application of how public sector accounting standards ~~are interpreted as they apply~~ to pension assets.
- The Province will apply these findings to its ~~future~~ financial statements.
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- We remain firmly committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19, while continuing to invest in the priorities that matter to Ontarians.
- We will continue to present the province's finances fairly and accurately as we work to improve the lives of all Ontarians.
- I will now turn it over to my colleague, Minister Sousa, who will deliver a brief statement. Following that we would be happy to take your questions.

PAEAP Report NR_v4_20170128 (BS) (current vers_1.pdf

**Pension Asset Expert Advisory Panel Finds Ontario's
Pension Asset Accounting Methods Accurate Appropriate
Province's 2015-16 Deficit Lowered From \$5B To \$XB**

NEWS

February 13, 2017 (TBC)

~~An~~The independent expert panel ~~has~~ released its advice and recommendations on the application of ~~P~~ublic ~~S~~ector ~~A~~ccounting ~~S~~tandards to Ontario's net pension assets. In its report, the panel found the accounting treatment that Ontario adopted in 2001 for its jointly-sponsored pension plans is ~~still~~ appropriate.

By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to \$XB, from the \$5B originally reported in the 2015-16 Public Accounts.

The panel's recommendations help to clarify the application of the ~~how~~ public sector accounting standards ~~are interpreted~~ as they apply to jointly-sponsored pension assets. Ontario is committed to acting on the panel's recommendations, which will inform the preparation of the Province's ~~future~~ financial statements.

The province remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

Responsible financial management is part of the government's plan to create jobs, grow the economy and help people in their everyday lives.

QUOTES

"I would like to thank the expert panel for their thorough report and recommendations on this complex accounting issue. We are pleased that the panel agrees with Ontario's view that net pension assets should continue to be recognized in the province's financial statements, as they have been for the past 14 years."

— Liz Sandals, President of the Treasury Board

"With the help of the unique professional skillsets and perspectives of the independent advisory panel, we now have clarity on how to account for jointly-sponsored pension assets. This advice will help us continue to present the province's finances fairly and accurately, as we work toward balancing the budget in 2017-18."

— Charles Sousa, Minister of Finance (TBC MOF)

"TBC PLACEHOLDER"

— Tricia O'Malley, Chair, Pension Asset Expert Advisory Panel

QUICK FACTS

- In preparing the 2015-16 Public Accounts of Ontario, the province's professional accounting staff and the Auditor General's Office engaged in discussions about the appropriate application of Public Sector Accounting Board (PSAB) standards regarding pension

accounting for the Province's jointly-sponsored pension plans, the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Sector Employees' Union Pension Plan (OPSEUPP).

- On November 10, 2016, the government formed the Pension Asset Expert Advisory Panel to deliver advice and recommendations on how public sector accounting standards are interpreted as they apply to pension assets. The panel members have expertise in the areas of jointly-sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards.
- The panel's advice is the government should ~~recognize record~~ an asset in the 2015-16 Public Accounts for its share of the OTPP and OPSEUPP surplus. ~~reported in the accounting valuations of the OTPP and OPSEUPP.~~
- In the coming weeks, the panel will issue a supplemental report on how pension assets should be recognized and measured in the Healthcare of Ontario Pension Plan (HOOPP) and the Colleges of Applied Arts and Technology Pension Plan (CAAT).

ADDITIONAL RESOURCES

Read the panel's report: [\[insert hyperlink\]](#)

[Pension Asset Expert Advisory Panel Members](#)

[Pension Asset Expert Advisory Panel Terms of Reference](#)

[Read the 2015-16 Public Accounts of Ontario](#)

[Learn about the government's fiscal cycle](#)

4 - Email - February 1 2017 - PAEAP Report NR_v4_20170128 (BS) (current version) with NT comments.pdf

From: [Petsche, Nadine \(TBS\)](#)
To: [Tam, Nelson \(TBS\)](#)
Cc: [Hosick, Sarah \(TBS\)](#)
Subject: PAEAP Report NR_v4_20170128 (BS) (current version) with NT comments
Date: February-01-17 11:17:11 AM
Attachments: [PAEAP Report NR_v4_20170128 \(BS\) \(current version\) with NT comments.doc](#)

Please see edits attached. n

PAEAP Report NR_v4_20170128 (BS) (current vers_2.pdf

Pension Asset Expert Advisory Panel's Findings ~~Find~~ Confirm Findings Ontario's ~~Pension Asset Accounting Methods Accurate~~ Appropriate Policy Province's 2015-16 Deficit Lowered From \$5B To ~~\$XB~~

Commented [NP1]: I don't think they said this. Their results do align with our accounting treatment though. I think that the Chair should review the NR.

NEWS

February 13, 2017 (TBC)

~~An~~ The Expert Advisory Panel put in place to provide advice on complex pension accounting matters ~~independent expert panel has~~ released its advice and recommendations today. The Panel's report studied ~~on~~ the application of ~~Public Sector Accounting Standards~~ in relation to ~~to~~ Ontario's ~~net pension assets~~ jointly sponsored pension plans. ~~In its report, the~~ The panel's findings support ~~found~~ the accounting treatment ~~that~~ Ontario ~~had initially~~ adopted in 2001 for its jointly-sponsored pension plans ~~as is still~~ appropriate.

The Province has accepted the Panel's advice which will be applied to ~~By applying the panel's advice to~~ the Province's 2015-16 finances ~~and result in a reduction of~~ Ontario's deficit ~~has been lowered to~~ ~~\$XB~~, from the \$5B originally reported in the 2015-16 Public Accounts.

~~The panel's recommendations help to clarify the application of the how public sector accounting standards are interpreted as they apply to jointly sponsored pension assets. Ontario is committed to acting on the~~ The panel's ~~Panel's~~ recommendations, ~~which~~ will also inform the preparation of the Province's ~~future~~ upcoming Budget and 2016-17 financial statements.

The ~~province~~ Province remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

Responsible financial management is part of the government's plan to create jobs, grow the economy and help people in their everyday lives.

QUOTES

"I would like to thank the ~~expert~~ Expert Advisory Panel for their thorough ~~analysis report~~ and recommendations on this complex accounting issue. We are pleased that the ~~panel~~ Panel's advice aligns ~~agrees~~ with Ontario's view that net pension assets should continue to be recognized in the ~~province's~~ Province's financial ~~statements~~ reports, as they have been for the past 14 years."

— Liz Sandals, President of the Treasury Board

"With the help of the unique professional skillsets and perspectives of the independent advisory panel, we now have clarity on how to account for jointly-sponsored pension assets. This advice will help us continue to present the province's finances fairly and accurately, as we work toward balancing the budget in 2017-18."

— Charles Sousa, Minister of Finance (TBC MOF)

"TBC PLACEHOLDER"

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Commented [NP2]: Generic term includes budgets as well.

QUICK FACTS

- In preparing the 2015-16 Public Accounts of Ontario, the ~~province's~~ Province's professional accounting staff and the Auditor General's Office engaged in discussions about the appropriate application of Public Sector Accounting Board (PSAB) standards regarding pension accounting for the Province's jointly-sponsored pension plans, the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Sector Employees' Union Pension Plan (OPSEUPP).
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- The Panel's report reflects a thorough examination of the facts related to both the OTPP and the OPSEUPP, and the application of PSAB in relation to jointly sponsored pension plans. The Panel concluded that the jointly controlled assets of both the OTPP and the OPSEUPP should be reported as the government should recognize record an asset in the 2015-16 Public Accounts for its share of the OTPP and OPSEUPP surplus, reported in the accounting valuations of the OTPP and OPSEUPP. In particular, the Panel agreed that both plans are joint defined benefit plans, that the net pension asset meets the definition of an economic resource, that there is no uncertainty regarding the existence or potential benefit of the net pension asset, that unilateral control of the timing and amount of surplus utilization under a joint defined benefit plan is not a requirement for asset recognition under the accounting standards and that for both OTPP and OPSEUPP the general recognition requirement of "expected future benefit" is met.
- In the coming weeks, the ~~panel~~ Panel will issue a supplemental report on how pension assets should be recognized and measured in the Healthcare of Ontario Pension Plan (HOOPP) and the Colleges of Applied Arts and Technology Pension Plan (CAAT).

ADDITIONAL RESOURCES

Read the panel's report: [\[insert hyperlink\]](#)

[Pension Asset Expert Advisory Panel Members](#)

[Pension Asset Expert Advisory Panel Terms of Reference](#)

[Read the 2015-16 Public Accounts of Ontario](#)

[Learn about the government's fiscal cycle](#)

4 - PAEAP Report NR_v4_20170128 (BS) (current version) with NT comments.doc

Pension Asset Expert Advisory Panel's Findings ~~Find~~ Confirm Findings Ontario's Pension Asset Accounting ~~Methods Accurate~~ Appropriate Policy Province's 2015-16 Deficit Lowered From \$5B To ~~\$XB~~

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The Province has accepted the Panel's advice which will be applied to ~~By applying the panel's advice to~~ the Province's 2015-16 finances ~~and result in a reduction of~~ Ontario's deficit ~~has been lowered to~~ ~~\$XB~~, from the \$5B originally reported in the 2015-16 Public Accounts.

~~The panel's recommendations help to clarify the application of the how public sector accounting standards are interpreted as they apply to jointly sponsored pension assets. Ontario is committed to acting on th~~The panel's ~~Panel's~~ recommendations, ~~which will also~~ inform the preparation of the Province's ~~future~~ upcoming Budget and 2016-17 financial statements.

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Responsible financial management is part of the government's plan to create jobs, grow the economy and help people in their everyday lives.

QUOTES

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— Liz Sandals, President of the Treasury Board

"With the help of the unique professional skillsets and perspectives of the independent advisory panel, we now have clarity on how to account for jointly-sponsored pension assets. This advice will help us continue to present the province's finances fairly and accurately, as we work toward balancing the budget in 2017-18."

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ADDITIONAL RESOURCES

Read the panel's report: [\[insert hyperlink\]](#)

[Pension Asset Expert Advisory Panel Members](#)

[Pension Asset Expert Advisory Panel Terms of Reference](#)

[Read the 2015-16 Public Accounts of Ontario](#)

[Learn about the government's fiscal cycle](#)

5 - Email - February 1 2017 - PAEAP Report Release_Statement_v6_20170128 (BS) (current version) (1) np.pdf

From: [Petsche, Nadine \(TBS\)](#)
To: [Tam, Nelson \(TBS\)](#)
Cc: [Hosick, Sarah \(TBS\)](#)
Subject: PAEAP Report Release_Statement_v6_20170128 (BS) (current version) (1) np
Date: February-01-17 11:34:32 AM
Attachments: [PAEAP Report Release Statement v6 20170128 \(BS\) \(current version\) \(1\) np.doc](#)

Nelson,

Please see suggested edits, in addition to comments on NR sent earlier. n

PAEAP Report Release_Statement_v6_20170128 (BS_2.pdf

Pension Asset Expert Advisory Panel Report Press Conference

Statement by
The Honourable Liz Sandals

February 13, 2017

Time TBC

Location TBC

Toronto, Ontario

Estimated Length: 2 minutes (XXX words)

- Today, the Pension Asset Expert Advisory Panel released its final report to the government.
- This independent panel was formed to deliver advice and recommendations on a complex accounting issue that arose during last year's Public Accounts-
- That issue ~~was dealt with the interpretation of the application of public sector accounting standards to Ontario's net pension assets~~ jointly sponsored pension plans.
- The panel members have expertise in the areas of ~~jointly-sponsored public sector financial reporting pension plans~~, actuarial modelling ~~for pension plans, and legal frameworks of pension plans. and Public Sector Accounting Standards.~~
- I would like to thank the panel for their thorough ~~analysis report~~ and recommendations on this important issue.
- We are pleased that the ~~panel's results -agrees~~ with Ontario's view that the net pension assets for Ontario's jointly sponsored plans should

Commented [NP1]: Messaging is important. The Panel gave independent advice which happened to agree with the Province's accounting position.

continue to be recognized in the province's financial statements, as they have been for the past 14 years.

- Ontario is accepting the panel's findings, which help to ~~clarify~~ confirm ~~the application of how~~ Province's accounting policy for pensions in the Province's financial reports. ~~public sector accounting standards are interpreted as they apply to pension assets.~~
- ~~The Province will apply these findings to its future financial statements.~~
- ~~In its report, the panel found that the accounting treatment Ontario adopted in 2001 for its jointly sponsored pension plans is still appropriate today.~~
- Based Consistent with the Panel's ~~on the~~ recommendations, the Province will record an asset in its financial statements for its share of a surplus reported in the accounting valuations of its two jointly sponsored ~~two~~ pension plans:
 - o the Ontario Teachers' Pension Plan, and
 - o the Ontario Public Sector Employees' Union Pension Plan.
- By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to \$XB, from the \$5B originally reported in the 2015-16 Public Accounts.

- Transparency and accountability in financial reporting, and rResponsible fiscal management ~~is~~ are a key priorityies for this government.
- We remain firmly committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19, while continuing to invest in the priorities that matter to Ontarians.

- We will continue to present the province's finances fairly and accurately as we work to improve the lives of all Ontarians.
- I will now turn it over to my colleague, Minister Sousa, who will deliver a brief statement. Following that we would be happy to take your questions.

5 - PAEAP Report Release_Statement_v6_20170128 (BS) (current version) (1) np.doc

Pension Asset Expert Advisory Panel Report Press Conference

Statement by
The Honourable Liz Sandals

February 13, 2017

Time TBC

Location TBC

Toronto, Ontario

Estimated Length: 2 minutes (XXX words)

- Today, the Pension Asset Expert Advisory Panel released its final report to the government.
- This independent panel was formed to deliver advice and recommendations on a complex accounting issue that arose during last year's Public Accounts-
- That issue ~~was dealt with the interpretation of the application of public sector accounting standards to Ontario's net pension assets~~ jointly sponsored pension plans.
- The panel members have expertise in the areas of ~~jointly-sponsored public sector financial reporting pension plans~~, actuarial modelling ~~for pension plans, and legal frameworks of pension plans. and Public Sector Accounting Standards.~~
- I would like to thank the panel for their thorough ~~analysis report~~ and recommendations on this important issue.
- We are pleased that the ~~panel's results -agrees~~ with Ontario's view that the net pension assets for Ontario's jointly sponsored plans should

Commented [NP1]: Messaging is important. The Panel gave independent advice which happened to agree with the Province's accounting position.

continue to be recognized in the province's financial statements, as they have been for the past 14 years.

- Ontario is accepting the panel's findings, which help to ~~clarify~~ confirm ~~the application of how~~ Province's accounting policy for pensions in the Province's financial reports. ~~public sector accounting standards are interpreted as they apply to pension assets.~~
- ~~The Province will apply these findings to its future financial statements.~~
- ~~In its report, the panel found that the accounting treatment Ontario adopted in 2001 for its jointly sponsored pension plans is still appropriate today.~~
- ~~Based~~ Consistent with the Panel's ~~on the~~ recommendations, the Province will record an asset in its financial statements for its share of a surplus reported in the accounting valuations of its two jointly sponsored ~~two~~ pension plans:
 - o the Ontario Teachers' Pension Plan, and
 - o the Ontario Public Sector Employees' Union Pension Plan.
- By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to \$XB, from the \$5B originally reported in the 2015-16 Public Accounts.

- Transparency and accountability in financial reporting, and rResponsible fiscal management ~~is~~ are a key priorityies for this government.
- We remain firmly committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19, while continuing to invest in the priorities that matter to Ontarians.

- We will continue to present the province's finances fairly and accurately as we work to improve the lives of all Ontarians.
- I will now turn it over to my colleague, Minister Sousa, who will deliver a brief statement. Following that we would be happy to take your questions.

6 - Email - February 1 2017 - RE_ Updated - NR & Statement.pdf

From: [Hosick, Sarah \(TBS\)](#)
To: [Veinot, Cindy \(TBS\)](#)
Cc: [Tam, Nelson \(TBS\)](#)
Subject: RE: Updated - NR & Statement
Date: February-01-17 2:54:55 PM
Attachments: [PAEAP Report QA v7 20170201.docx](#)

Hi Cindy,

I've attached the Q&As as well now.

Comms would like to be able to provide these 3 documents to DMO with your and Karen's approval by EOD tomorrow.

Happy to discuss if this timing presents any challenges

Thanks
Sarah

From: Veinot, Cindy (TBS)
Sent: February-01-17 11:53 AM
To: Hosick, Sarah (TBS)
Subject: RE: Updated - NR & Statement

Thanks – I will take a look – are there also Q&As under development? Karen asked me this morning – thanks,

From: Hosick, Sarah (TBS)
Sent: February-01-17 11:52 AM
To: Veinot, Cindy (TBS)
Subject: FW: Updated - NR & Statement

Hi Cindy

Attached are 2 Comms products on the Panel for your review (approved by Nadine and Nelson so far):

- 1) News Release
- 2) Statement by the Minister

After you have reviewed, we can send to the Chair for her approval, then up to Karen.

Thanks
Sarah

From: Tam, Nelson (TBS)
Sent: February-01-17 11:40 AM
To: Hosick, Sarah (TBS)
Subject: Updated - NR & Statement

Sarah

Attached are the clean versions of the NR and Statement for Cindy's review. There were numerous changes and it is easier if Cindy reviewed a clean version. You were copied with the tracked change versions from Nadine if Cindy wants those versions.

Please flag with Cindy that after her review, I will send to the Chair for her review as per Nadine's suggestion, if Cindy agrees.

Thanks

Nelson
X20514

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Questions and Answers
Pension Asset Expert Advisory Panel Report

Confidential DRAFT

February 1, 2017

KEY MESSAGES:

- We thank the Pension Asset Expert Advisory Panel for their work on this complex issue.
- We are pleased that the independent panel's results are consistent with Ontario's view that net pension assets for jointly-sponsored plans should continue to be recognized in the Province's financial statements, as they have been for the past 14 years.
- Ontario is accepting all of the panel's recommendations and will prepare its future financial statements based on this advice.
- By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to \$3.5B, from the \$5B originally reported in the 2015-16 Public Accounts.
- The panel's advice will also help inform discussions with the Auditor General in the hopes of reaching agreement on how the accounting standard is applied to future financial statements.
- Ontario remains committed to balancing the budget by 2017-18, and remaining balanced in 2018-19.

QUESTIONS & ANSWERS:

1. In layman's terms what does the report mean?

The panel's results are consistent with the government's view that the net pension assets for the Province's two jointly-sponsored plans should be recognized in Ontario's financial statements.

During the 2015-16 Public Accounts audit, the Auditor General raised some questions about Ontario's past accounting practices related to pension assets for two jointly-sponsored pension plans - the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Sector Employees' Union Pension Plan (OPSEUPP).

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

We are pleased that the independent panel agrees with Ontario's view that net pension assets for jointly-sponsored pension plans should continue to be recognized in the Province's financial statements as they have been for the past 14 years.

Ontario is committed to acting on all of the panel's recommendations. We will prepare future financial statements based on the panel's advice.

The government remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

Questions and Answers
Pension Asset Expert Advisory Panel Report

2. What is the Province's new deficit figure for 2015-16? In the 2015-16 Public Accounts you said it was \$5 billion based on the Auditor General's math.

By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to \$3.5B, from the \$5B originally reported in the 2015-16 Public Accounts.

3. Are you saying the Auditor General is wrong?

Pension accounting is a complex issue that requires the application of professional judgment. With the help of the unique professional skillsets and perspectives of the independent advisory panel, we now have clarification on how public sector accounting standards should be interpreted as they apply to the Province's jointly-sponsored pension plans.

Ontario has a strong track record of producing high-quality financial reports on a timely basis. In fact, prior to 2015-16, Ontario had clean audit opinions for 22 years.

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management.

4. The panel doesn't have the authority to overrule the Auditor General, so what was the point of establishing it?

At the end of the day these are the Province's financial statements. In the Auditor General's 2016 Annual Report, she acknowledged that as the preparers of the financial statements, the Province is ultimately responsible for deciding how to apply the accounting standards.

The panel's recommendations help clarify how public sector accounting standards are interpreted as they apply to jointly-sponsored pension assets and we thank them for their work on this complex issue. Ontario is committed to acting on all of the panel's recommendations.

We have also shared the panel's advice with the Auditor General and we look forward to further discussions in the hopes of reaching agreement on how the accounting standard is applied to future financial statements.

5. Have you spoken to the Auditor General about the panel's findings?

The panel sought input from the Auditor General as part of their research and deliberations. Prior to the release of the panel's report, they also shared a copy with the Auditor General's office and met with her to review [their findings](#).

Commented [JS(1)]: Reminder: include DM's outreach, if needed.

6. What will the government do if the Auditor General does not accept the panel's recommendations?

At the end of the day these are the Province's financial statements. In the Auditor General's 2016 Annual Report, she acknowledged that as the preparers of the

Questions and Answers

Pension Asset Expert Advisory Panel Report

financial statements, the Province is ultimately responsible for deciding how to apply the accounting standards.

The panel's advice will help inform discussions with the Auditor General in the hopes of reaching agreement on how the accounting standard is applied to future financial statements.

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. Ontario has a strong track record of producing high-quality financial reports on a timely basis. Prior to 2015-16, Ontario had clean audit opinions for 22 years. We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management.

The treatment of pension assets is a complex accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review pension accounting standards. The Public Sector Accounting Board 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 provide input through the process set out by the board.

If pressed:

We can't speculate on what the Auditor General will do. Our intention is to prepare future financial statements based on the panel's advice.

We are committed to balancing the Budget by 2017-18, and remaining balanced in 2018-19.

7. The Auditor General claimed you used creative accounting to overstate your numbers – how do you respond to that?

That is simply not true. For the 2015-16 Public Accounts, the government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor General'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 had also been accepted by three previous Auditors General.

If pressed about Ontario's plans compared to other jurisdictions:

Pension accounting is a complex issue. Extensive research and analysis has been done internally comparing Ontario's plans to other jurisdictions. Provinces including British Columbia, New Brunswick and Saskatchewan have also had challenges addressing accounting issues related to pension accounting. It should be pointed out that the terms of the pension plans for New Brunswick and British Columbia are quite different than Ontario's; therefore the accounting treatment is different.

With the help of the unique professional skillsets and perspectives of the members of the independent advisory panel, we now have clarification on how public sector

Commented [JS(2)]: Fact-check needed.

Commented [NP3]: Refer to report?

Commented [JS(4)]: OPCD – can we say more about the findings in the report? What about Saskatchewan?

Questions and Answers
Pension Asset Expert Advisory Panel Report

accounting standards should be interpreted as they apply to jointly-sponsored pension plans in Ontario.

We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management and high quality reporting.

8. The government picked the panel members and paid for their services. Some would say you simply bought the advice you wanted, when you didn't like what the Auditor General had to say. How do you respond?

At the end of the day these are the Province's financial statements. In the Auditor General's 2016 Annual Report, she acknowledged that as the preparers of the financial statements, the Province is ultimately responsible for deciding how to apply the accounting standards.

The panel was completely independent from government. It arrived at its advice based on its own analysis of this complex issue.

The panel members were carefully chosen for their expertise in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards:

- Tricia O'Malley has been a member of the Canadian Actuarial Standards Oversight Council since 2012, serving as Chair since January 2015,
- Murray Gold is a leading legal practitioner and senior pension and benefits partner at Koskie Minsky LLP,
- Uros Karadzic is a senior actuary at Ernst and Young's People Advisory Services Reward practice, which includes pension, benefit and compensation consulting, and
- Paul Martin is Comptroller with the Government of New Brunswick and previously a partner with the national accounting firm of Grant Thornton LLP.

Per the terms of reference, the panel was also supported by a small group of civil servants which provided information related to the pension plans sponsored by the Province of Ontario.

9. The Auditor General says she has a number of accounting opinions supporting her position. How do you respond to that?

We don't know who provided those opinions, or what information they based their assessments on, so I can't comment on it. In forming an opinion however, we can't overstate how important it is to consider all relevant facts. In that regard, we are pleased that the panel's report is being made public so that others will also have access to the same set of facts for further consideration.

The government has been fully transparent about the Pension Asset Expert Advisory Panel and how it arrived at its conclusions.

Questions and Answers
Pension Asset Expert Advisory Panel Report

10. Was there something wrong with the accounting rules 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 had also been accepted by three previous Auditors General.

Ontario's strong track record of producing high-quality financial reports is also evidenced by the fact that the Province had clean audit opinions for 22 years before 2015-16.

We understand that the Auditor General's interest in the Province's accounting for net pension assets arose last summer as part of her review of pension related assumptions and the significant impact that the net asset position of the plans on the Province's fiscal results.

11. How did 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 have impacted the Province's accounting for net pension assets of jointly-sponsored pension plans.

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

Since the difference of opinion could not be resolved, the government passed a regulation to allow us to report the net pension assets for jointly-sponsored pension plans consistent with the Auditor's interpretation of the accounting standards.

12. The Auditor General has said the government needs to have unilateral control in order to recognize a pension asset for a jointly-defined benefit plan. What did the panel recommend?

This was one of the issues on which the panel was asked to provide advice and recommendations to the government.

The panel's report aligns with the Province's position that unilateral control for jointly-defined benefit plans is not required in order for the net pension assets to be recognized in the Province's financial statements.

13. If the jointly-sponsored plans are in surplus, is there a plan to reduce member contributions?

Reducing member contributions is something that would require discussion and agreement between both plan sponsors.

Questions and Answers
Pension Asset Expert Advisory Panel Report

We are pleased that the independent panel agrees with Ontario's view that net pension assets for jointly-sponsored pension plans should continue to be recognized in the Province's financial statements as they have been for the past 14 years.

14. Will you continue to accept qualified opinions in the future?

We will continue to move forward and present the Province's finances fairly and accurately. We are committed to balancing the Budget by 2017-18, and remaining balanced in 2018-19.

I cannot speculate on how the Auditor General will characterize her future audit work. That decision is up to her.

However, we would like to remind you that the audit opinion for 2015-16 was not qualified, but rather the Auditor General qualified her opinion for the prior year's comparative results which did not reflect the regulated accounting. Ontario has a strong track record of producing high-quality financial reports on a timely basis. In fact, prior to 2015-16, Ontario had clean audit opinions for 22 years.

We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management.

15. Is the government going to restate the 2015-16 Public Accounts?

The 2015-16 Public Accounts were issued and reflected the regulated accounting treatment which was applicable to that year only.

We will formally re-state our 2015-16 numbers in our upcoming 2016-17 Public Accounts.

16. What does this mean for the upcoming Budget?

The 2017 Budget will reflect the appropriate accounting treatment for net pension assets informed by the panel's report, including the Province's updated Interim numbers for 2016-17, as well as forecasts for the fiscal planning period.

We are committed to balancing the Budget by 2017-18, and remaining balanced in 2018-19. We will have more details to share about the Budget in the coming weeks.

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

This is not true from the government's perspective. In fact, we look forward to resolving our difference of opinion between the Province's professional accounting staff and the Auditor General's Office.

We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management and high quality financial reporting.

If asked to explain the history of this issue:

In preparing the 2015-16 Public Accounts of Ontario, the Province's professional accounting staff and the Auditor General's Office engaged in discussions about the

Questions and Answers
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appropriate application of Public Sector Accounting Board (PSAB) standards regarding pension accounting for the Province's jointly sponsored pension plans.

From the government's perspective, the accounting treatment for jointly sponsored pension plans that was initially adopted in 2001 is still appropriate. Given the difference of opinion at the time, the Province filed a time-limited regulation, which legislated the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts only. This was consistent with the fiscal outcome proposed by the Auditor General.

Since the release of the Public Accounts, the government established a Pension Asset Expert Advisory Panel to provide independent advice on the interpretation of the accounting standards to Ontario's defined benefit pension plans. This panel has now provided its report on jointly-sponsored pension plans to the government and it has been shared with the Auditor General and the public.

The government will continue to present the Province's finances fairly and accurately.

18. What do you say to the credit rating agencies who are watching all of this unfold?

We have been impressed with the level of cooperation and understanding of the credit rating agency community.

I would say we have achieved clarity on this complex accounting issue.

We are committed to balancing the Budget by 2017-18, and remaining balanced in 2018-19. 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.

19. How will skyrocketing executive pay in the college sector affect the government's path to balance?

Ontario has implemented a framework for broader public sector executive compensation, including capping salary and performance-related payments.

The Executive Compensation Framework regulation came into force on September 6, 2016 and applies to all designated employers under the Broader Public Sector Executive Compensation Act, 2014 (BPSECA).

The Executive Compensation Framework is designed to ensure transparency and accountability in how broader public sector employers set executive compensation. Under the framework, designated employers must seek public comment as part of developing their executive compensation program.

The Executive Compensation Framework caps salary and performance-related payments for designated executives at no more than the 50th percentile of appropriate comparators and prohibits signing bonuses, retention bonuses, cash housing allowances and pay in lieu of perquisites.

Questions and Answers
Pension Asset Expert Advisory Panel Report

These requirements will ensure that broader public sector organizations are accountable for compensation decisions and are able to attract and retain the necessary talent to deliver high quality public services while managing public dollars responsibly.

20. How long have you had the report?

The panel submitted its report in late January. We've used this time to analyze the recommendations, and prepare it for public release.

21. When you announced the panel in October 2016, you said the report was due to the President of the Treasury Board and the Auditor General of Ontario is due by the end of 2016. What happened?

When the panel was announced in October 2016, we had not yet identified the members. Once the panel was established, it was determined by the members that they would need additional time to conduct a thorough review of the issues at hand.

22. Were the panel's recommendations unanimous?

Yes, the panel's recommendations were unanimous.

23. Would you still have accepted the panel's recommendations if they weren't favourable to you?

I'm not going to speculate on something that didn't happen.

What I will say is that the panel took every effort to ensure that it had a complete understanding of the facts and studied this complex issue extensively. We are pleased that the panel's results are consistent with Ontario's view that net pension assets for jointly-sponsored plans and should continue to be recognized in the Province's financial statements, as they have been for the past 14 years.

24. Your government keeps establishing panels to resolve your issues. Why can't you just make a decision?

Pension accounting is a complex issue. We need the best advice in order to make well-informed decisions. Sometimes this means seeking independent expertise.

The Pension Asset Expert Advisory Panel members were carefully chosen for their expertise in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards.

With the help of the unique professional skillsets and perspectives of the independent advisory panel, we now have clarification on how public sector accounting standards should be interpreted as they apply to jointly-sponsored pension plans.

Questions and Answers
Pension Asset Expert Advisory Panel Report

BACKGROUND QUESTIONS:

Jointly-sponsored Pension Plans:

25. What is a jointly-sponsored pension plan?

The Ontario Public Service Employees 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.

The panel:

26. What did the Pension Asset Expert Advisory Panel do?

The Pension Asset Expert Advisory Panel has delivered advice and recommendations to the government on the application of Public Service Accounting Standards (PSAS) to Ontario's net pension assets for defined benefit pension plans. The panel agrees that the net pension asset should be recognized in the Province's financial position.

Recognizing the asset will provide a faithful representation of Ontario's financial position.

27. How did the panel reach its conclusions?

The panel received and reviewed background information, including the governing documents of the plans and related agreements. It also received analyses from both the government and the Auditor General, setting out their respective understanding of the facts and their conclusions.

The panel met with both the government's professional accounting staff and the Auditor General and her Public Accounts staff responsible for the pension issue to ensure they fully understood their thinking. The panel then performed its own independent analysis of the documents and of the legal, actuarial and accounting issues using the expertise and experience of its members.

28. Who was on the panel?

The membership of the Pension Asset Expert Advisory Panel was comprised of accounting, legal, and pension experts in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards.

The panel included:

- Tricia O'Malley (Chair)
- Murray Gold
- Uros Karadzic and
- Paul Martin.

Questions and Answers
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29. How much will they be paid? What was the total cost spent on this report?

The Chair will be compensated at \$2,000 per diem and \$1,900 per diem for the other members.

Panel members will also be reimbursed for reasonable expenses incurred in connection with their duties in accordance with Treasury Board/Management Board of Cabinet Directives and Guidelines.

The total amount the panel will be paid will be determined once their work is complete. According to the panel terms of reference, this is scheduled to end on March 31, 2017.

IF ASKED ABOUT PAUL MARTIN:

As a member of the public service of the Province of New Brunswick, Mr. Martin did not receive compensation. He was only eligible for expense reimbursements.

Ontario's Financial Position:

30. Some have said your government has a spending problem, not a revenue problem. What do you say to that?

Even with adopting the Auditor General's view of the 2015-16 Public Accounts, the government still beat its annual deficit target for the seventh year in a row.

The government is projecting a balanced the budget by 2017-18, and remaining balanced in 2018-19.

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

31. 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, and remaining balanced in 2018-19.

Questions and Answers
Pension Asset Expert Advisory Panel Report

Even with adopting the Auditor General's view of the 2015-16 Public Accounts, the government still beat its annual deficit target for the seventh year in a row. This reflects 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.

32. 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.

Legislated Accounting:

33. Is the disagreement over 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 annual deficit targets and is on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Prior to implementing the change to the 2015-16 Public Accounts, 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 and by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

In fact, Ontario has a strong track record of producing high-quality financial reports on a timely basis. Prior to 2015-16, Ontario had clean audit opinions for 22 years.

6 - PAEAP Report NR OPCDS V1.doc

Pension Asset Expert Advisory Panel's Findings Confirm Ontario's Pension Asset Accounting Policy

Province's 2015-16 Deficit Lowered From \$5B To \$XB

NEWS

February 13, 2017 (TBC)

The Expert Advisory Panel put in place to provide advice on complex pension accounting matters released its advice and recommendations today. The Panel's report studied the application of public sector accounting standards in relation to Ontario's jointly sponsored pension plans. The Panel's findings support the accounting treatment that Ontario had initially adopted in 2001 for its jointly-sponsored pension plans as appropriate.

The Province has accepted the Panel's advice which will be applied to the Province's 2015-16 finances and result in a reduction of Ontario's deficit to \$XB, from the \$5B originally reported in the 2015-16 Public Accounts.

The Panel's recommendations will also inform the preparation of the Province's upcoming Budget and 2016-17 financial statements.

The Province remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

Responsible financial management is part of the government's plan to create jobs, grow the economy and help people in their everyday lives.

QUOTES

"I would like to thank the Expert Advisory Panel for their thorough analysis and recommendations on this complex accounting issue. We are pleased that the Panel's advice aligns with Ontario's view that net pension assets should continue to be recognized in the Province's financial reports, as they have been for the past 14 years."

— Liz Sandals, President of the Treasury Board

"With the help of the unique professional skillsets and perspectives of the independent advisory panel, we now have clarity on how to account for jointly-sponsored pension assets. This advice will help us continue to present the province's finances fairly and accurately, as we work toward balancing the budget in 2017-18."

— Charles Sousa, Minister of Finance (TBC MOF)

"TBC PLACEHOLDER"

— Tricia O'Malley, Chair, Pension Asset Expert Advisory Panel

QUICK FACTS

- In preparing the 2015-16 Public Accounts of Ontario, the Province's professional accounting staff and the Auditor General's Office engaged in discussions about the appropriate application of Public Sector Accounting Board (PSAB) standards regarding pension

accounting for the Province's jointly-sponsored pension plans, the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Sector Employees' Union Pension Plan (OPSEUPP).

- On November 10, 2016, the government formed the Pension Asset Expert Advisory Panel to deliver advice and recommendations on how public sector accounting standards are interpreted as they apply to pension assets. The Panel members have expertise in the areas of jointly-sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards.
- The Panel's report reflects a thorough examination of the facts related to both the OTPP and the OPSEUPP, and the application of PSAB in relation to jointly sponsored pension plans. The Panel concluded that the jointly controlled assets of both the OTPP and the OPSEUPP should be reported. In particular, the Panel agreed that both plans are joint defined benefit plans, that the net pension asset meets the definition of an economic resource, that there is no uncertainty regarding the existence or potential benefit of the net pension asset, that unilateral control of the timing and amount of surplus utilization under a joint defined benefit plan is not a requirement for asset recognition under the accounting standards and that for both OTPP and OPSEUPP the general recognition requirement of "expected future benefit" is met.
- In the coming weeks, the Panel will issue a supplemental report on how pension assets should be recognized and measured in the Healthcare of Ontario Pension Plan (HOOPP) and the Colleges of Applied Arts and Technology Pension Plan (CAAT).

ADDITIONAL RESOURCES

Read the panel's report: [\[insert hyperlink\]](#)

[Pension Asset Expert Advisory Panel Members](#)

[Pension Asset Expert Advisory Panel Terms of Reference](#)

[Read the 2015-16 Public Accounts of Ontario](#)

[Learn about the government's fiscal cycle](#)

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Questions and Answers
Pension Asset Expert Advisory Panel Report

Confidential DRAFT

February 1, 2017

KEY MESSAGES:

- We thank the Pension Asset Expert Advisory Panel for their work on this complex issue.
- We are pleased that the independent panel's results are consistent with Ontario's view that net pension assets for jointly-sponsored plans should continue to be recognized in the Province's financial statements, as they have been for the past 14 years.
- Ontario is accepting all of the panel's recommendations and will prepare its future financial statements based on this advice.
- By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to \$3.5B, from the \$5B originally reported in the 2015-16 Public Accounts.
- The panel's advice will also help inform discussions with the Auditor General in the hopes of reaching agreement on how the accounting standard is applied to future financial statements.
- Ontario remains committed to balancing the budget by 2017-18, and remaining balanced in 2018-19.

QUESTIONS & ANSWERS:

1. In layman's terms what does the report mean?

The panel's results are consistent with the government's view that the net pension assets for the Province's two jointly-sponsored plans should be recognized in Ontario's financial statements.

During the 2015-16 Public Accounts audit, the Auditor General raised some questions about Ontario's past accounting practices related to pension assets for two jointly-sponsored pension plans - the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Sector Employees' Union Pension Plan (OPSEUPP).

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

We are pleased that the independent panel agrees with Ontario's view that net pension assets for jointly-sponsored pension plans should continue to be recognized in the Province's financial statements as they have been for the past 14 years.

Ontario is committed to acting on all of the panel's recommendations. We will prepare future financial statements based on the panel's advice.

The government remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

Questions and Answers
Pension Asset Expert Advisory Panel Report

2. What is the Province's new deficit figure for 2015-16? In the 2015-16 Public Accounts you said it was \$5 billion based on the Auditor General's math.

By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to \$3.5B, from the \$5B originally reported in the 2015-16 Public Accounts.

3. Are you saying the Auditor General is wrong?

Pension accounting is a complex issue that requires the application of professional judgment. With the help of the unique professional skillsets and perspectives of the independent advisory panel, we now have clarification on how public sector accounting standards should be interpreted as they apply to the Province's jointly-sponsored pension plans.

Ontario has a strong track record of producing high-quality financial reports on a timely basis. In fact, prior to 2015-16, Ontario had clean audit opinions for 22 years.

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management.

4. The panel doesn't have the authority to overrule the Auditor General, so what was the point of establishing it?

At the end of the day these are the Province's financial statements. In the Auditor General's 2016 Annual Report, she acknowledged that as the preparers of the financial statements, the Province is ultimately responsible for deciding how to apply the accounting standards.

The panel's recommendations help clarify how public sector accounting standards are interpreted as they apply to jointly-sponsored pension assets and we thank them for their work on this complex issue. Ontario is committed to acting on all of the panel's recommendations.

We have also shared the panel's advice with the Auditor General and we look forward to further discussions in the hopes of reaching agreement on how the accounting standard is applied to future financial statements.

5. Have you spoken to the Auditor General about the panel's findings?

The panel sought input from the Auditor General as part of their research and deliberations. Prior to the release of the panel's report, they also shared a copy with the Auditor General's office and met with her to review [their findings](#).

Commented [JS(1)]: Reminder: include DM's outreach, if needed.

6. What will the government do if the Auditor General does not accept the panel's recommendations?

At the end of the day these are the Province's financial statements. In the Auditor General's 2016 Annual Report, she acknowledged that as the preparers of the

Questions and Answers

Pension Asset Expert Advisory Panel Report

financial statements, the Province is ultimately responsible for deciding how to apply the accounting standards.

The panel's advice will help inform discussions with the Auditor General in the hopes of reaching agreement on how the accounting standard is applied to future financial statements.

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. Ontario has a strong track record of producing high-quality financial reports on a timely basis. Prior to 2015-16, Ontario had clean audit opinions for 22 years. We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management.

The treatment of pension assets is a complex accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review pension accounting standards. The Public Sector Accounting Board 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 provide input through the process set out by the board.

If pressed:

We can't speculate on what the Auditor General will do. Our intention is to prepare future financial statements based on the panel's advice.

We are committed to balancing the Budget by 2017-18, and remaining balanced in 2018-19.

7. The Auditor General claimed you used creative accounting to overstate your numbers – how do you respond to that?

That is simply not true. For the 2015-16 Public Accounts, the government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor General'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 had also been accepted by three previous Auditors General.

If pressed about Ontario's plans compared to other jurisdictions:

Pension accounting is a complex issue. Extensive research and analysis has been done internally comparing Ontario's plans to other jurisdictions. Provinces including British Columbia, New Brunswick and Saskatchewan have also had challenges addressing accounting issues related to pension accounting. It should be pointed out that the terms of the pension plans for New Brunswick and British Columbia are quite different than Ontario's; therefore the accounting treatment is different.

With the help of the unique professional skillsets and perspectives of the members of the independent advisory panel, we now have clarification on how public sector

Commented [JS(2)]: Fact-check needed.

Commented [NP3]: Refer to report?

Commented [JS(4)]: OPCD – can we say more about the findings in the report? What about Saskatchewan?

Questions and Answers
Pension Asset Expert Advisory Panel Report

accounting standards should be interpreted as they apply to jointly-sponsored pension plans in Ontario.

We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management and high quality reporting.

8. The government picked the panel members and paid for their services. Some would say you simply bought the advice you wanted, when you didn't like what the Auditor General had to say. How do you respond?

At the end of the day these are the Province's financial statements. In the Auditor General's 2016 Annual Report, she acknowledged that as the preparers of the financial statements, the Province is ultimately responsible for deciding how to apply the accounting standards.

The panel was completely independent from government. It arrived at its advice based on its own analysis of this complex issue.

The panel members were carefully chosen for their expertise in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards:

- Tricia O'Malley has been a member of the Canadian Actuarial Standards Oversight Council since 2012, serving as Chair since January 2015,
- Murray Gold is a leading legal practitioner and senior pension and benefits partner at Koskie Minsky LLP,
- Uros Karadzic is a senior actuary at Ernst and Young's People Advisory Services Reward practice, which includes pension, benefit and compensation consulting, and
- Paul Martin is Comptroller with the Government of New Brunswick and previously a partner with the national accounting firm of Grant Thornton LLP.

Per the terms of reference, the panel was also supported by a small group of civil servants which provided information related to the pension plans sponsored by the Province of Ontario.

9. The Auditor General says she has a number of accounting opinions supporting her position. How do you respond to that?

We don't know who provided those opinions, or what information they based their assessments on, so I can't comment on it. In forming an opinion however, we can't overstate how important it is to consider all relevant facts. In that regard, we are pleased that the panel's report is being made public so that others will also have access to the same set of facts for further consideration.

The government has been fully transparent about the Pension Asset Expert Advisory Panel and how it arrived at its conclusions.

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10. Was there something wrong with the accounting rules 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 had also been accepted by three previous Auditors General.

Ontario's strong track record of producing high-quality financial reports is also evidenced by the fact that the Province had clean audit opinions for 22 years before 2015-16.

We understand that the Auditor General's interest in the Province's accounting for net pension assets arose last summer as part of her review of pension related assumptions and the significant impact that the net asset position of the plans on the Province's fiscal results.

11. How did 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 have impacted the Province's accounting for net pension assets of jointly-sponsored pension plans.

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

Since the difference of opinion could not be resolved, the government passed a regulation to allow us to report the net pension assets for jointly-sponsored pension plans consistent with the Auditor's interpretation of the accounting standards.

12. The Auditor General has said the government needs to have unilateral control in order to recognize a pension asset for a jointly-defined benefit plan. What did the panel recommend?

This was one of the issues on which the panel was asked to provide advice and recommendations to the government.

The panel's report aligns with the Province's position that unilateral control for jointly-defined benefit plans is not required in order for the net pension assets to be recognized in the Province's financial statements.

13. If the jointly-sponsored plans are in surplus, is there a plan to reduce member contributions?

Reducing member contributions is something that would require discussion and agreement between both plan sponsors.

Questions and Answers
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We are pleased that the independent panel agrees with Ontario's view that net pension assets for jointly-sponsored pension plans should continue to be recognized in the Province's financial statements as they have been for the past 14 years.

14. Will you continue to accept qualified opinions in the future?

We will continue to move forward and present the Province's finances fairly and accurately. We are committed to balancing the Budget by 2017-18, and remaining balanced in 2018-19.

I cannot speculate on how the Auditor General will characterize her future audit work. That decision is up to her.

However, we would like to remind you that the audit opinion for 2015-16 was not qualified, but rather the Auditor General qualified her opinion for the prior year's comparative results which did not reflect the regulated accounting. Ontario has a strong track record of producing high-quality financial reports on a timely basis. In fact, prior to 2015-16, Ontario had clean audit opinions for 22 years.

We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management.

15. Is the government going to restate the 2015-16 Public Accounts?

The 2015-16 Public Accounts were issued and reflected the regulated accounting treatment which was applicable to that year only.

We will formally re-state our 2015-16 numbers in our upcoming 2016-17 Public Accounts.

16. What does this mean for the upcoming Budget?

The 2017 Budget will reflect the appropriate accounting treatment for net pension assets informed by the panel's report, including the Province's updated Interim numbers for 2016-17, as well as forecasts for the fiscal planning period.

We are committed to balancing the Budget by 2017-18, and remaining balanced in 2018-19. We will have more details to share about the Budget in the coming weeks.

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

This is not true from the government's perspective. In fact, we look forward to resolving our difference of opinion between the Province's professional accounting staff and the Auditor General's Office.

We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management and high quality financial reporting.

If asked to explain the history of this issue:

In preparing the 2015-16 Public Accounts of Ontario, the Province's professional accounting staff and the Auditor General's Office engaged in discussions about the

Questions and Answers
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appropriate application of Public Sector Accounting Board (PSAB) standards regarding pension accounting for the Province's jointly sponsored pension plans.

From the government's perspective, the accounting treatment for jointly sponsored pension plans that was initially adopted in 2001 is still appropriate. Given the difference of opinion at the time, the Province filed a time-limited regulation, which legislated the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts only. This was consistent with the fiscal outcome proposed by the Auditor General.

Since the release of the Public Accounts, the government established a Pension Asset Expert Advisory Panel to provide independent advice on the interpretation of the accounting standards to Ontario's defined benefit pension plans. This panel has now provided its report on jointly-sponsored pension plans to the government and it has been shared with the Auditor General and the public.

The government will continue to present the Province's finances fairly and accurately.

18. What do you say to the credit rating agencies who are watching all of this unfold?

We have been impressed with the level of cooperation and understanding of the credit rating agency community.

I would say we have achieved clarity on this complex accounting issue.

We are committed to balancing the Budget by 2017-18, and remaining balanced in 2018-19. 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.

19. How will skyrocketing executive pay in the college sector affect the government's path to balance?

Ontario has implemented a framework for broader public sector executive compensation, including capping salary and performance-related payments.

The Executive Compensation Framework regulation came into force on September 6, 2016 and applies to all designated employers under the Broader Public Sector Executive Compensation Act, 2014 (BPSECA).

The Executive Compensation Framework is designed to ensure transparency and accountability in how broader public sector employers set executive compensation. Under the framework, designated employers must seek public comment as part of developing their executive compensation program.

The Executive Compensation Framework caps salary and performance-related payments for designated executives at no more than the 50th percentile of appropriate comparators and prohibits signing bonuses, retention bonuses, cash housing allowances and pay in lieu of perquisites.

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Pension Asset Expert Advisory Panel Report

These requirements will ensure that broader public sector organizations are accountable for compensation decisions and are able to attract and retain the necessary talent to deliver high quality public services while managing public dollars responsibly.

20. How long have you had the report?

The panel submitted its report in late January. We've used this time to analyze the recommendations, and prepare it for public release.

21. When you announced the panel in October 2016, you said the report was due to the President of the Treasury Board and the Auditor General of Ontario is due by the end of 2016. What happened?

When the panel was announced in October 2016, we had not yet identified the members. Once the panel was established, it was determined by the members that they would need additional time to conduct a thorough review of the issues at hand.

22. Were the panel's recommendations unanimous?

Yes, the panel's recommendations were unanimous.

23. Would you still have accepted the panel's recommendations if they weren't favourable to you?

I'm not going to speculate on something that didn't happen.

What I will say is that the panel took every effort to ensure that it had a complete understanding of the facts and studied this complex issue extensively. We are pleased that the panel's results are consistent with Ontario's view that net pension assets for jointly-sponsored plans and should continue to be recognized in the Province's financial statements, as they have been for the past 14 years.

24. Your government keeps establishing panels to resolve your issues. Why can't you just make a decision?

Pension accounting is a complex issue. We need the best advice in order to make well-informed decisions. Sometimes this means seeking independent expertise.

The Pension Asset Expert Advisory Panel members were carefully chosen for their expertise in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards.

With the help of the unique professional skillsets and perspectives of the independent advisory panel, we now have clarification on how public sector accounting standards should be interpreted as they apply to jointly-sponsored pension plans.

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BACKGROUND QUESTIONS:

Jointly-sponsored Pension Plans:

25. What is a jointly-sponsored pension plan?

The Ontario Public Service Employees 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.

The panel:

26. What did the Pension Asset Expert Advisory Panel do?

The Pension Asset Expert Advisory Panel has delivered advice and recommendations to the government on the application of Public Service Accounting Standards (PSAS) to Ontario's net pension assets for defined benefit pension plans. The panel agrees that the net pension asset should be recognized in the Province's financial position.

Recognizing the asset will provide a faithful representation of Ontario's financial position.

27. How did the panel reach its conclusions?

The panel received and reviewed background information, including the governing documents of the plans and related agreements. It also received analyses from both the government and the Auditor General, setting out their respective understanding of the facts and their conclusions.

The panel met with both the government's professional accounting staff and the Auditor General and her Public Accounts staff responsible for the pension issue to ensure they fully understood their thinking. The panel then performed its own independent analysis of the documents and of the legal, actuarial and accounting issues using the expertise and experience of its members.

28. Who was on the panel?

The membership of the Pension Asset Expert Advisory Panel was comprised of accounting, legal, and pension experts in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards.

The panel included:

- Tricia O'Malley (Chair)
- Murray Gold
- Uros Karadzic and
- Paul Martin.

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29. How much will they be paid? What was the total cost spent on this report?

The Chair will be compensated at \$2,000 per diem and \$1,900 per diem for the other members.

Panel members will also be reimbursed for reasonable expenses incurred in connection with their duties in accordance with Treasury Board/Management Board of Cabinet Directives and Guidelines.

The total amount the panel will be paid will be determined once their work is complete. According to the panel terms of reference, this is scheduled to end on March 31, 2017.

IF ASKED ABOUT PAUL MARTIN:

As a member of the public service of the Province of New Brunswick, Mr. Martin did not receive compensation. He was only eligible for expense reimbursements.

Ontario's Financial Position:

30. Some have said your government has a spending problem, not a revenue problem. What do you say to that?

Even with adopting the Auditor General's view of the 2015-16 Public Accounts, the government still beat its annual deficit target for the seventh year in a row.

The government is projecting a balanced the budget by 2017-18, and remaining balanced in 2018-19.

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

31. 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, and remaining balanced in 2018-19.

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Even with adopting the Auditor General's view of the 2015-16 Public Accounts, the government still beat its annual deficit target for the seventh year in a row. This reflects 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.

32. 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.

Legislated Accounting:

33. Is the disagreement over 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 annual deficit targets and is on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Prior to implementing the change to the 2015-16 Public Accounts, 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 and by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

In fact, Ontario has a strong track record of producing high-quality financial reports on a timely basis. Prior to 2015-16, Ontario had clean audit opinions for 22 years.

6 - PAEAP Report Release OPCD V1.doc

Pension Asset Expert Advisory Panel Report Press Conference

**Statement by
The Honourable Liz Sandals**

February 13, 2017

Time TBC

Location TBC

Toronto, Ontario

Estimated Length: 2 minutes (XXX words)

- Today, the Pension Asset Expert Advisory Panel released its final report to the government.
- This independent panel was formed to deliver advice and recommendations on a complex accounting issue that arose during last year's Public Accounts
- That issue dealt with the interpretation of accounting standards to Ontario's jointly sponsored pension plans.
- The panel members have expertise in the areas of public sector financial reporting, actuarial modelling, and legal frameworks of pension plans.
- I would like to thank the panel for their thorough analysis and recommendations on this important issue.
- We are pleased that the panel's results agree with Ontario's view that the net pension assets for Ontario's jointly sponsored plans should continue to be recognized in the province's financial statements, as they have been for the past 14 years.

- Ontario is accepting the panel's findings, which help to confirm the Province's accounting policy for pensions in the Province's financial reports.
- Consistent with the Panel's recommendations, the Province will record an asset in its financial statements for its share of a surplus reported in the accounting valuations of its two jointly sponsored pension plans:
 - o the Ontario Teachers' Pension Plan, and
 - o the Ontario Public Sector Employees' Union Pension Plan.
- By applying the panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to \$XB, from the \$5B originally reported in the 2015-16 Public Accounts.

- Transparency and accountability in financial reporting, and responsible fiscal management are a key priorities for this government.
- We remain firmly committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19, while continuing to invest in the priorities that matter to Ontarians.
- We will continue to present the province's finances fairly and accurately as we work to improve the lives of all Ontarians.
- I will now turn it over to my colleague, Minister Sousa, who will deliver a brief statement. Following that we would be happy to take your questions.

8 - Email - February 1 2017 - FW_ PAEAP - Comms Material for DM Briefing.pdf

From: [Hosick, Sarah \(TBS\)](#)
To: [Veinot, Cindy \(TBS\)](#); [Tam, Nelson \(TBS\)](#); [Petsche, Nadine \(TBS\)](#)
Subject: FW: PAEAP - Comms Material for DM Briefing
Date: February-01-17 9:16:49 AM

Note Patrick's flag below if you haven't yet heard – MOF prefers separate release dates for Q3 and Pension Report

From: Laughton, Patrick (TBS)
Sent: February-01-17 9:14 AM
To: Sullivan, Bryant (TBS); MacIntyre, Kyle (TBS)
Cc: Hosick, Sarah (TBS); Miller, Amanda (TBS)
Subject: RE: PAEAP - Comms Material for DM Briefing

Hey team –

Quick flag for your meeting that when we met with MOF yesterday afternoon they indicated that they are not supportive of a same day release for Q3 and the Pension Report. They are now looking at the week of the 20th for Q3.

P.

From: Sullivan, Bryant (TBS)
Sent: January-31-17 3:40 PM
To: MacIntyre, Kyle (TBS)
Cc: Hosick, Sarah (TBS); Laughton, Patrick (TBS); Miller, Amanda (TBS)
Subject: PAEAP - Comms Material for DM Briefing

Hi Kyle,

FYI here are the three products we'll be bringing to support tomorrow's comms discussion with DM Betzner:

- Briefing deck
- Release recommendations
- Production calendar

These are all more or less based on previous iterations of materials that have been circulating.

I'll be sharing these with CO and MOF comms at 4:30 so they're tee'd up in advance.

We'll bring hard copies tomorrow too.

Thanks
Bryant

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Treasury Board Secretariat
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(e) Bryant.J.Sullivan@ontario.ca



Communications Branch

Your Strategic Partner

9 - Email - February 1 2017 - RE_ PAEAP Report NR_v4_20170128 (BS) (current version) with NT comments.pdf

From: [Hosick, Sarah \(TBS\)](#)
To: [Petsche, Nadine \(TBS\)](#)
Cc: [Tam, Nelson \(TBS\)](#)
Subject: RE: PAEAP Report NR_v4_20170128 (BS) (current version) with NT comments
Date: February-01-17 7:58:20 PM

Thank you.

From: Petsche, Nadine (TBS)
Sent: February-01-17 7:58 PM
To: Hosick, Sarah (TBS)
Cc: Tam, Nelson (TBS)
Subject: RE: PAEAP Report NR_v4_20170128 (BS) (current version) with NT comments

According to the Province's interpretation of Public Sector Accounting Board, the annual deficit would be \$1.5 billion lower (at \$3.5 billion), and net debt would be \$10.7 billion lower.

Therefore, the number you are looking for is \$3.5B.

From: Hosick, Sarah (TBS)
Sent: February-01-17 7:25 PM
To: Petsche, Nadine (TBS)
Cc: Tam, Nelson (TBS)
Subject: RE: PAEAP Report NR_v4_20170128 (BS) (current version) with NT comments

Hi Nadine

Can you please provide the number for the X highlighted in the NR:

*Province's 2015-16 Deficit Lowered From \$5B To **\$XB***

Thanks
Sarah

From: Petsche, Nadine (TBS)
Sent: February-01-17 11:17 AM
To: Tam, Nelson (TBS)
Cc: Hosick, Sarah (TBS)
Subject: PAEAP Report NR_v4_20170128 (BS) (current version) with NT comments

Please see edits attached. n