1 - Email - January 16 2017 - Slide Decks for Minister, SOC and Premier Briefings.pdf

From: Tam, Nelson (TBS)
To: Patricia O"Malley (plomalley@outlook.com)
Subject: Slide Decks for Minister, SOC and Premier Briefings
Date: January-16-17 9:18:00 AM
Attachments: Minister Pension Asset Update V2.pptx
SOC Pension Asset Update.pptx
MMP Briefing.pptx

Patricia

Attached are the slide decks for:

- January 17th Minister Briefing
- Secretary of Cabinet (SOC) Briefing – same as the Minister Briefing slide deck with no date as yet.
- Premier and Ministers Briefing – same as the Minister Briefing but included Appendix A – Panel Members and B – Terms of Reference (Scope). The SOC will be at this meeting as well.

Please confirm back that the you are okay with the slide decks.

I will ensure that you have copies for the SOC and Premier briefing on Tuesday morning.

I will send you an invitation for the Premier briefing to book in your calendar.

Thanks

Nelson
416-212-0514

Minister Pension Asset Update V2.pdf

Pension Asset Expert Advisory Panel

Minister Briefing

January 17, 2017

Objective

- To provide an update on the Pension Asset Expert Advisory Panel (the ‘Panel’)’s advice and recommendations to the government on the application of public sector accounting standards (PSAS) to Ontario’s net pension assets.

- To discuss report delivery timing and next steps.

General

- In the 2015/16 Public Accounts, the OAG and the government’s professional accounting staff disagreed on how PSAS applies to the net pension assets of two pension plans the Province jointly sponsors – Ontario Teachers’ Pension Plan (OTPP) and Ontario Public Service Employee’s Union Pension Plan (OPSEUPP).
- Panel supported by a report writer and a project manager.
- Panel provided with briefings to assist members to fully understand the facts and circumstances of the Plans and the basis for the government’s accounting conclusions.
- Panel met with the Auditor General and members of her team specifically responsible for the financial statement audit and the pension asset issue to understand the basis for the OAG’s accounting conclusions.

Recognition of asset

- The Panel considered: (1) the guidance in the public sector accounting standards on Retirement Benefits and (2) other relevant guidance in areas where the standard is not clear.

- The Panel agrees with the accounting classification of OTPP and OPSEUPP as Joint Defined Benefit Plans (JDBP), as per the Retirement Benefits standard, since 2001 when the standard was issued.

- The Retirement Benefits standard should be applied to the JDPB, on 100% basis, prior to the Province recognizing its portion (50%) in the financial statements.

Recognition of asset

- Net pension asset meets the definition of an economic resource because:
  - it exists, and
  - future benefit is available to sponsors as either contribution reductions and/or benefit improvements under terms of plan.
- Unilateral control not necessary for asset recognition:
  - in fact cannot exist in JDBPs,
  - sponsors jointly control the total net pension asset and must agree on how it will be used. Key notion of control in this case is that each sponsor can deny the other sponsor(s) access to the benefit, and
  - each sponsor can recognize an asset relating to its portion of that jointly controlled asset.

Recognition of asset

Conclusion:

- The Panel agrees that the net pension asset should be recognized in the Province’s financial statements.
- Recognizing the asset will provide a faithful representation of the Province’s financial position.
- Recognizing the asset will properly reflect the intention of the “deal” between the sponsors.

Measurement of asset

- An expected future benefit under the relevant standard can exist without a unilateral legally enforceable right to reduce future contributions:
  - legal requirements for surplus withdrawal and contribution reductions are very different, and
  - applying accounting requirements for withdrawals to contribution reductions does not seem appropriate given differences in legal regimes.
- Expected future benefit is determined as difference between:
  - expected future accruals for service (normal service cost for current number of active employees) plus expenses paid by the plan, and
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  - Government analyses of both OTPP and OPSEUPP performed using various interpretations of minimum contributions.
- If there is a contractual or legal requirement to continue to contribute despite the existence of a surplus, these could be considered minimum contributions.

Measurement of asset

Conclusion

- In all analyses with different interpretations of “minimum contributions”, present value of expected future accruals for service for the current number of active employees exceeds the present value of minimum contributions.
- No valuation allowance is required for either accrued benefit asset recognized in the Public Accounts.

Recommendations to PSAB Task Force

- Report will note that in some areas, the necessary guidance was not found in the pension standard.
- The complete public sector standards provided a satisfactory basis for all of the Panel's conclusions.
- The Panel will identify for the Task Force those areas where additional guidance in the pension standard itself would be desirable.

Timelines and Next Steps

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SOC Pension Asset Update.pdf

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Secretary of Cabinet Briefing

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MMP Briefing.pdf

Pension Asset Expert Advisory Panel

MMP Briefing

January 18, 2017

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Appendix A – Panel Members

- Patricia O'Malley (Chair) – Chair of the Canadian Actuarial Standards Oversight Council, member of the Canadian Accounting Standards Oversight Council, Chair of the Canadian Accounting Standards Board and Chaired the International Forum of Accounting Standard Setters;
- Paul Martin – Comptroller with the Government of New Brunswick and previously a partner with the national accounting firm of Grant Thornton LLP;
- Uros Karadzic – Partner at EY's People Advisory Services Reward practice, which includes pension, benefit and compensation consulting; and
- Murray Gold – Leading practitioner and senior pension and benefits partner at Koskie Minsky LLP.

Appendix B – Terms of Reference (Scope)

- The requirement regarding control with respect to recognizing a pension asset for a joint defined benefit plan.
- The requirement regarding control with respect to recognizing a pension asset for other pension plans.
- Appropriate valuation techniques to measure a pension asset that take into consideration future decision making authority by plan sponsors.
- Recommendations to the Employee Future Benefits Task Force of the Public Sector Accounting Board regarding issues that should be considered in its review of the retirement and post-employment benefits standards.

1 - MMP Briefing.pptx

Pension Asset Expert Advisory Panel

MMP Briefing

January 18, 2017

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1A - Email - January 16 2017 - Expert Panel Briefing Slide Decks.pdf

From: Tam, Nelson (TBS)
To: Hosick, Sarah (TBS) (Sarah.Hosick@ontario.ca)
Subject: Expert Panel Briefing Slide Decks
Date: January-16-17 11:28:00 AM
Attachments: Minister Pension Asset Update V2.pptx
SOC Pension Asset Update.pptx
MMP Briefing.pptx

Sarah

Attached are the following:

- Janaury 17 Minister Briefing Slide Deck
- SOC Briefing Slide Deck
- MMP Briefing Slide Deck – Appendix A – Panel Members and Appendix B – Terms of Reference has been added to this slide deck.

Thanks

Nelson
X20514

Minister Pension Asset Update V2_1.pdf

Pension Asset Expert Advisory Panel

Minister Briefing

January 17, 2017

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SOC Pension Asset Update_1.pdf

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MMP Briefing_1.pdf

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- Patricia O’Malley (Chair) – Chair of the Canadian Actuarial Standards Oversight Council, member of the Canadian Accounting Standards Oversight Council, Chair of the Canadian Accounting Standards Board and Chaired the International Forum of Accounting Standard Setters;
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Appendix B – Terms of Reference (Scope)

- The requirement regarding control with respect to recognizing a pension asset for a joint defined benefit plan.
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2 - Email - January 17 2017 - RE_ Slide Decks for Minister, SOC and Premier Briefings.pdf

From:	Patricia O"Malley
To:	Tam, Nelson (TBS)
Subject:	RE: Slide Decks for Minister, SOC and Premier Briefings
Date:	January-17-17 12:00:25 PM
Attachments:	MMP Briefing v2.pptx

Hi Nelson

As promised, I have reviewed and made changes to the slide deck for tomorrow. Mostly moving points around between slides. Only one addition clarifying that one bullet about benefits.

Thanks

Tricia

From: Tam, Nelson (TBS) [mailto:Nelson.Tam@ontario.ca]
Sent: 16-Jan-17 09:19
To: Patricia O'Malley (plomalley@outlook.com) <plomalley@outlook.com>
Subject: Slide Decks for Minister, SOC and Premier Briefings

Patricia

Attached are the slide decks for:

- January 17th Minister Briefing
- Secretary of Cabinet (SOC) Briefing – same as the Minister Briefing slide deck with no date as yet.
- Premier and Ministers Briefing – same as the Minister Briefing but included Appendix A – Panel Members and B – Terms of Reference (Scope). The SOC will be at this meeting as well.

Please confirm back that the you are okay with the slide decks.

I will ensure that you have copies for the SOC and Premier briefing on Tuesday morning.

I will send you an invitation for the Premier briefing to book in your calendar.

Thanks

Nelson
416-212-0514

MMP Briefing v2.pdf

Pension Asset Expert Advisory Panel

MMP Briefing

January 18, 2017

Objective

- To provide an update on the Pension Asset Expert Advisory Panel (the ‘Panel’)’s advice and recommendations to the government on the application of public sector accounting standards (PSAS) to Ontario’s net pension assets.

- To discuss report delivery timing and next steps.

General

- In the 2015/16 Public Accounts, the OAG and the government’s professional accounting staff disagreed on how PSAS applies to the net pension assets of two pension plans the Province jointly sponsors – Ontario Teachers’ Pension Plan (OTPP) and Ontario Public Service Employee’s Union Pension Plan (OPSEUPP).
- Panel supported by a report writer and a project manager.
- Panel provided with briefings to assist members to fully understand the facts and circumstances of the Plans and the basis for the government’s accounting conclusions.
- Panel met with the Auditor General and members of her team specifically responsible for the financial statement audit and the pension asset issue to understand the basis for the OAG’s accounting conclusions.

Recognition of asset

- The Panel considered: (1) the guidance in the public sector accounting standards on Retirement Benefits and (2) other relevant guidance in areas where the standard is not clear.

- The Panel agrees with the accounting classification of OTPP and OPSEUPP as Joint Defined Benefit Plans (JDBP), as per the Retirement Benefits standard, since 2001 when the standard was issued.

Recognition of asset

- Net pension asset meets the definition of an economic resource because:
  - it exists, and
  - future benefit is available to government as contribution reductions and to employee sponsors as either contribution reductions or benefit improvements under terms of plan.
- An expected future benefit under the standard can exist without a unilateral legally enforceable right to reduce future contributions:
  - legal requirements for surplus withdrawal and contribution reductions are very different, and
  - applying accounting requirements for withdrawals to contribution reductions does not seem appropriate given differences in legal regimes.

Recognition of asset

- Unilateral control not necessary for asset recognition:
  - in fact cannot exist in JDBPs,
  - sponsors jointly control the total net pension asset and must agree on how it will be used. Key notion of control in this case is that each sponsor can deny the other sponsor(s) access to the benefit – each sponsor essentially has a veto, and
  - each sponsor can recognize an asset relating to its portion of that jointly controlled asset.
- In fact, the sponsors jointly have unilateral control over the net pension asset
  - as long as in compliance with the Pension Benefits Act
  - no action is required other than agreement on their part and filing the plan amendment with FSCO

Recognition of asset

Conclusion:

- The Panel agrees that the net pension asset should be recognized in the Province's financial statements.
- Recognizing the asset will provide a faithful representation of the Province's financial position.
- Recognizing the asset will properly reflect the intention of the "deal" between the sponsors.

Measurement of asset

- The Retirement Benefits standard should be applied to the JDPB, on 100% basis, prior to the Province recognizing its portion (50%) in the financial statements.
- Expected future benefit is determined as difference between:
  - expected future accruals for service (normal service cost for current number of active employees) plus expenses paid by the plan, and
  - required minimum contributions regardless of surplus in plan

both on a present value basis.

Measurement of asset

- Meaning of “level of minimum contributions required regardless of any surplus” not clear:
  - Government analyses of both OTPP and OPSEUPP performed using various interpretations of minimum contributions.
- If there is a contractual or legal requirement to continue to contribute despite the existence of a surplus, these could be considered minimum contributions.

Measurement of asset

Conclusion

- In all analyses with different interpretations of “minimum contributions”, present value of expected future accruals for service for the current number of active employees exceeds the present value of minimum contributions.
- No valuation allowance is required for either accrued benefit asset recognized in the Public Accounts.

Recommendations to PSAB Task Force

- Report will note that in some areas, the necessary guidance was not found in the pension standard.
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2A - Email - January 17 2017 - RE_ Updated MMP Slide Deck.pdf

From: Hosick, Sarah (TBS)
To: Tam, Nelson (TBS)
Subject: RE: Updated MMP Slide Deck
Date: January-17-17 12:06:17 PM

Should be fine – I'll send this one up.

From: Tam, Nelson (TBS)
Sent: January-17-17 12:06 PM
To: Hosick, Sarah (TBS)
Subject: Updated MMP Slide Deck

Sarah

The Chair update the slide deck for tomorrow's MMP meeting based on the discussion this morning with the SOC and Ministers. Is it too late to forward it up the chain?

Thanks

Nelson
X20514

3 - Email - February 2 2017 - Draft MMP Briefing Deck.pdf

From:	Tam, Nelson (TBS)
To:	Hosick, Sarah (TBS) (Sarah.Hosick@ontario.ca)
Subject:	Draft MMP Briefing Deck
Date:	February-02-17 3:05:00 PM
Attachments:	MMP Briefing - February 2017.pptx

Sarah

Attached is my draft of the MMP briefing deck.

FYI – Karen dropped by my office. Give you a quick brief when you are back in your office.

Thanks

Nelson
X20514

MMP Briefing - February 2017.pdf

TBS

Office of Provincial Controller

MMP Briefing

Pension Asset Expert Advisory Panel – Update

February 6, 2017

Outstanding Decisions

TBS

Release of the Panel's reporting is expected to be on February 13th. The following items are still to be confirmed:

- Opposition briefing timing
- Media technical briefing timing
- Requirement to brief the Standing Committee on Public Accounts
- Finalization and roll-out of the supplemental report on HOOPP and CAATPP timing

Stakeholder Engagement

TBS

- Following external stakeholders to be alerted prior to release of the report:
  - » OTF and Teachers' Pension Plan – Ministry of Education
  - » OPSEU – Deputy Minister
  - » Public Sector Accounting Board – Chair
  - » FAO – Ministry of Finance

- Following internal stakeholders to be alerted prior to release of report:
  - » OFA – Office of the Provincial Controller
  - » Credit Rating Agencies – OFA
  - » Employee Relations Branch – Office of the Provincial Controller

Communication

- The following Communication products are being prepared for the release of the report:
  - News Release
  - Minister Statements
  - Questions and Answers

- The Panel’s Executive Summary and Report is being prepared for release on Ontario.ca in both English and French.

- The House Book Note is being updated.

Auditor General

TBS

- Embargoed report was sent to the Auditor General on January 26 by the Chair
- The Panel briefed the Auditor General on February 3rd on the Panel's advice and recommendation to the Ministry.
- TBC – Deputy Minister reached out to the Auditor General regarding the Panel's report.

3 - MMP Briefing - February 2017.pptx

TBS

Office of Provincial Controller

MMP Briefing

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February 6, 2017

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