RE: Auditor

From: "Bevan, Andrew (OPO)" <"/o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=bevan, andrewf93">
To: "Forgione, Andrew (OPO)" <andrew.forgione@ontario.ca>, "Killorn, Bill (OPO)" <bill.killorn@ontario.ca>, "MacKenzie, Rebecca (OPO)" <rebecca.mackenzie@ontario.ca>, "Rowe, Mary (OPO)" <mary.rowe@ontario.ca>, "McEachern, Gillian (OPO)" <gillian.mceachern@ontario.ca>
Cc: "Lazarus, Jordan (OPO)" <jordan.lazarus@ontario.ca>, "Beaudry, Jennifer (OPO)" <jennifer.beaudry2@ontario.ca>
Date: Thu, 16 Feb 2017 11:46:20 -0500

Looks good

From: Forgione, Andrew (OPO)
Sent: February-16-17 11:41 AM
To: Bevan, Andrew (OPO); Killorn, Bill (OPO); MacKenzie, Rebecca (OPO); Rowe, Mary (OPO); McEachern, Gillian (OPO)
Cc: Lazarus, Jordan (OPO); Beaudry, Jennifer (OPO)
Subject: RE: Auditor

Sorry to press – TBS is on standby to walk gallery with this statement. Would like to get into first stories.

From: Forgione, Andrew (OPO)
Sent: February-16-17 11:30 AM
To: Bevan, Andrew (OPO); Killorn, Bill (OPO); MacKenzie, Rebecca (OPO); Rowe, Mary (OPO); McEachern, Gillian (OPO)
Cc: Lazarus, Jordan (OPO); Beaudry, Jennifer (OPO)
Subject: RE: Auditor

Revised statement:

"We asked an independent expert panel to look into this because the advice we received from officials varied from that of the Auditor General. The Independent Expert Panel has now released its advice and has concluded that the province's share of the surplus of the net pension assets of both the OTPP and OPSEUPP should be recognized as an asset in Ontario's financial statements. They concluded that the government does not need a letter from either of the unions because the joint pension agreements spell out how the surplus will be dealt with. They also concluded that there are no public sector accounting standard requirements for any additional letter to be in place specifying when or by how much contributions will be reduced beyond the joint pension plan agreements already in place.

As Tricia O'Malley, Chair of the Independent Expert Panel, stated on Monday, "The agreements in place are sufficient to tell us that the joint plan sponsors can do this – there is history of them agreeing to reduce contributions in the past. From the accounting standards perspective, all that's required is that these benefits from surplus can be reasonably expected."

The panel was made up 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 and they include;

- Tricia O'Malley - Chair of the Canadian Actuarial Standards Oversight Council
- Murray Gold – Leading Practitioner and senior pension and benefits partner at KoskieMinsky LLP
- Uros Karadzic – A pension actuary and partner at Ernst and Young

- Paul Martin – Comptroller with the Government of New Brunswick

The government is accepting the Independent Expert Panel's recommendations in order to present its financial statements in accordance with public sector accounting standards. This means that the province will continue to represent pension assets on its financial statements as it has since 2001."

Key information from the Panel:

Tricia O'Malley, Chair, stated on Monday, "The agreements in place are sufficient to tell us that the joint plan sponsors can do this – there is history of them agreeing to reduce contributions in the past. From the accounting standards perspective, all that's required is that these benefits from surplus can be reasonably expected." She likened it to owning an income property with a friend: "Simply because you and your friend own this property together, are you going to leave your share of that rental asset, that rental property, off your net worth statement as an asset?" she said. "I doubt it, if that's something that's of value and you have a share of it."

The Panel also concluded in its report that there is no accounting standards requirement for any agreement to be in place specifying when and by how much contributions will be reduced for the government to record an asset beyond the agreements already in place (i.e., legislation and the various plan documents). The public sector accounting standards are clear that the benefits from the surplus need only be expected. In these cases, benefits can reasonably be expected based on the law, the terms of the Plans and the policies and past actions of the joint Sponsors in fulfilling their responsibilities to act fairly. Given all the uncertainties and estimates required in accounting for pensions, virtually nothing can be considered certain.

From: Forgione, Andrew (OPO)
Sent: February-16-17 11:18 AM
To: Bevan, Andrew (OPO); Killorn, Bill (OPO); MacKenzie, Rebecca (OPO); Rowe, Mary (OPO); McEachern, Gillian (OPO)
Cc: Lazarus, Jordan (OPO); Beaudry, Jennifer (OPO)
Subject: RE: Auditor

Sounds good – we will ask to see if the panel wants to issue a statement today.

From: Bevan, Andrew (OPO)
Sent: February-16-17 11:12 AM
To: Forgione, Andrew (OPO); Killorn, Bill (OPO); MacKenzie, Rebecca (OPO); Rowe, Mary (OPO); McEachern, Gillian (OPO)
Cc: Lazarus, Jordan (OPO); Beaudry, Jennifer (OPO)
Subject: Re: Auditor

Ok but can panel put out it's own statement too? As this seems to be a point that AG has clearly misunderstood in panel report

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Forgione, Andrew (OPO)
Sent: Thursday, February 16, 2017 11:09 AM
To: Bevan, Andrew (OPO); Killorn, Bill (OPO); MacKenzie, Rebecca (OPO); Rowe, Mary (OPO); McEachern, Gillian (OPO)
Cc: Lazarus, Jordan (OPO); Beaudry, Jennifer (OPO)
Subject: RE: Auditor

TBS is walking the gallery (both d comms and policy) to make that clear very shortly and we are including a few panel quotes in Sandals' statement. The panel Chair is also available at 3 PM and TBS will tell gallery that in the walk around. Jenn is currently walking the gallery delivering the high level arguments so she can report back momentarily as well. Will have a revised statement for you soon just waiting on Mike's edits.

From: Bevan, Andrew (OPO)
Sent: February-16-17 11:06 AM
To: Forgione, Andrew (OPO); Killorn, Bill (OPO); MacKenzie, Rebecca (OPO); Rowe, Mary (OPO); McEachern, Gillian (OPO)
Cc: Lazarus, Jordan (OPO)
Subject: RE: Auditor

Thanks and is TB making sure the panel can again be clear on this specific point both by statement from panel or its chair and through interviews this afternoon?

From: Forgione, Andrew (OPO)
Sent: February-16-17 10:44 AM
To: Bevan, Andrew (OPO); Killorn, Bill (OPO); MacKenzie, Rebecca (OPO); Rowe, Mary (OPO); McEachern, Gillian (OPO)
Cc: Lazarus, Jordan (OPO)
Subject: Auditor

Here's her statement (below). We have a call with TBS shortly to revamp the statement and will circulate here. The panel explicitly said "there is no accounting standards requirement for any agreement to be in place specifying when and by how much contributions will be reduced for the government to record an asset beyond the agreements already in place (i.e. legislation and various plan documents)."

News Release For Immediate Release February 16, 2017 Auditor General to Government: 'Show Me the Letter' (TORONTO)

Ontario's Auditor General says the government's Pension Asset Advisory Panel Report supports her Office's main position: before the Province can use surpluses of two public pension plans, it must obtain agreement from the plans' co-sponsors. "The Province shares any pension surplus with OPSEU and the Ontario Teachers' Federation," Bonnie Lysyk said today.

"It's like a joint bank account that requires two signatures on every cheque. That's what we've been saying, and we are pleased to see the Panel saying the same thing."

The government claims the pension surplus is $10.7 billion, with the majority of that amount— $10.1 billion—associated with the Ontario Teachers' Pension Plan. The Province wants to use this increasing pension surplus to balance its budget. The Auditor says the Province does not need her permission to record that money on its books—but if it wants the Auditor's seal of approval in the form of a clean audit opinion on that issue, she will need to see a negotiated and signed agreement by the teachers and the government as evidence that there is an amount that should be recorded as a net pension asset on the government's financial statements.

"That money is for the benefit of employees and retirees, people who have paid in to be able to live a comfortable life in retirement," said the Auditor.

"So we need evidence of an agreement between the Ontario Teachers' Federation and the Province saying that the Province can use $10.1 billion. Once we have that letter of agreement, this Office could sign off and give a clean audit opinion on this issue. It's as simple as that."

The Auditor points out that the Ontario Teachers' Pension Plan has accounted for its pension as being in a liability position—not a surplus like the provincial government is claiming. She says this further supports her need for a written agreement between all parties that her Office can use as evidence.

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Andrew Forgione
Director of Issues Management and Strategic Communications
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