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.

-30-

To schedule an interview, please contact:
Bonnie Lysyk
Auditor General
(416) 327-1326

@OntarioAuditor

Fact Sheet

- The *Auditor General Act* states: "The Auditor General shall express his or her opinion as to whether the consolidated financial statements of Ontario ... present fairly information in accordance with appropriate generally accepted accounting principles and the Auditor General shall set out out any reservations he or she may have."

- For the first time in 23 years, the Province received a qualified audit opinion on its 2015/16 Public Accounts.

- A qualified opinion from the Auditor General means there are issues with the government's reporting, and a clean audit opinion means there are no issues of consequence.

- The Ontario government Pension Asset Advisory Panel reports, "Both the OTTP (Ontario Teachers' Pension Plan) and OPSEUPP (Ontario Public Sector Employees' Union Pension Plan) are jointly defined benefit plans ... (and) the sponsors must agree on all decisions about the important features of the plan, including valuation assumptions, how shortfalls (deficits) are to be made up and how the benefits of over-funding (surpluses) are to be shared."

- The Ontario Teachers' Pension Plan financial statements show a liability position, not a surplus.

- The Auditor's position on the pension issue is this: The Province needs a letter as evidence that it has the agreement of both OPSEU and the Ontario Teachers' Federation on behalf of the teachers as to whether the Province can access $10.7 billion of surplus from their respective pensions.

- British Columbia and New Brunswick—the other two provinces with public pension surpluses—do not treat the accounting surplus as a net accounting asset.

- Breakdown of pension surplus as at March 31, 2016, according to the Province:
  - Ontario Teachers' Pension Plan: $10.147 billion; and
  - OPTrust (the pension plan for OPSEU members): $521 million

  for a total of $10.668 billion.

- OPSEU's pension plan includes 87,000 current and former members while the Ontario Teachers' Pension Plan includes 316,000 active and retired teachers.