



TREASURY BOARD / MANAGEMENT BOARD OF CABINET REQUEST ASSESSMENT NOTE

Ministry:	Treasury Board Secretariat
Meeting Date:	November 1, 2016 (TBC)
Agenda Class:	Discussion
Last reviewed by: N/A	Tracking to: November 16, 2016

DRAFT – Subject to Change

SUBMISSION TITLE:	Pension Accounting Expert Panel
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I. DECISION BEFORE THE BOARD

Treasury Board Secretariat is reporting back to TB/MBC and seeking approval for remuneration of the Chair and members of the Independent Pension Asset Expert Panel, as a short-term advisory body of three members, for a period not to extend beyond March 31, 2017, and approve the Minister's Order establishing the Panel.

II. RECOMMENDATIONS:

• Approve a revision to the completion date for the panel to March 31, 2017.	<i>Approve</i>
• Approve the Minister's Order establishing the Panel as short-term advisory body of 4 Members including a Chair.	<i>Approve</i>
• Approve the rate of remuneration of up to \$2,000 per diem to a maximum of \$150,000 for the Chair.	<i>Approve</i>
• Approve the rate of remuneration for 3 members of \$1,900 per diem to a maximum of \$95,000 per member.	<i>Approve</i>
• Recommend to the Cabinet, the Order in Council for the remuneration of the Chair and the members in the amount of up to \$2,000 per diem for the Chair and \$1,900 per diem for the members.	<i>Recommend</i>
• Recommend to Cabinet an Order in Council to remunerate the Panel members at a rate of up to \$1900, not to exceed \$95,000 per appointee (totaling \$285,000).	<i>Recommend</i>
• Note that the Ministry will manage costs from within its existing allocation	<i>Note</i>
• Note that all members will be reimbursed for eligible expenses in accordance with the Travel, Meal and Hospitality Expenses Directive.	<i>Note</i>

III. FINANCIAL SUMMARY

\$ Millions	2016-17	2017-18	2018-19
Initiative cost requested	0.0	14.7	14.7
Initiative cost recommended	0.0	5.9	5.9
Recommended program base	0.0	32.7	32.7
Offset Recommended	0.0	TBD	TBD
Total Fiscal Impact	0.0	TBD	TBD

IV. KEY COMMENTS AND CONSIDERATIONS

Treasury Board Secretariat is seeking TB/MBC approval to remunerate a Chair and up to 3 additional members to the Pension Accounting Expert Panel. The Chair would be remunerated at a rate of up to \$2,000 per diem to a maximum of \$95,000. The members would be remunerated at a rate of \$1,900 per diem to a maximum of \$95,000 per appointee. TBS is also reporting back to TB/MBC, as directed, with the constituting instrument (Minister's Order) to formally establish the Panel (approval to establish the Panel was ratified by Cabinet on October 5, 2016).

Under the Agencies and Appointments Directive (AAD), TB/MBC approval is required to remunerate appointees comprising the short-term advisory body and to remunerate its members. All panel members would be eligible for reimbursement of relevant expenses in accordance with the Travel, Meal and Hospitality Expenses Directive.

The membership of the Panel will comprise of experts in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards. All members will be appointed by the President of the Treasury Board.

Independent Pension Asset Expert Panel Mandate

The Expert Panel's mandate is to deliver advice and recommendations to the government on the application of PSAS to the recognition and measurement of pension assets. The Expert Panel's advice and recommendations to the government will consider:

- 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 their review of the retirement and post-employment benefits standards.

A report to the President of Treasury Board and the Auditor General of Ontario is due by the end of 2016.

The Province will identify individuals to support the Panel and work collaboratively to provide information related to pension plans sponsored by the Province of Ontario.

Remuneration Alignment with Agencies and Appointments Directive (AAD)

The proposed rate of remuneration is required to compensate members according to their unique and specialized skills and expertise required to complete the work required of the Panel. The membership of the panel will include accounting, legal and pension experts in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards.

The Independent Pension Asset Expert Panel would consist of members that bring a unique skillset and perspective required to provide advice to the government. The Chair is to receive a

slightly higher per diem, as this person will likely have interactions with the media and must become fluent on all aspects that support the overall public report even though it combines multiple professional disciplines.

This per diem rate is comparable with other short-term advisory bodies such as the Hydro One Governance and Expert Investment Advisory Committee, established in 2015. All committee members were remunerated at a rate of up to \$2000 per diem.

Other comparable examples include individual advisors appointed for remuneration at comparable rates such as a special advisor on Income Security Reform for the Ministry of Community and Social Services, at \$2000 per diem, and the Advisor on Auto Insurance and Pensions at a rate of \$1975 per diem.

The request is consistent with the requirements for establishment and remuneration of short-term advisory bodies under the Agencies and Appointments Directive. The skills required fall into the "Special Advisors and Appointees to Short-Term Advisory Bodies" category.

Financial Implications

The total budget is estimated at \$1.2M, which is comprised of:

Proposed Budget				
	#people	Per diem	# Days	Total Cost
Chair	1	2,000	75	\$150,000
Members	3	1,900	50	285,000
				435,000
Travel Budget @10%				43,500
Procurement costs (incl. translation)				500,000
Total Budget for the Panel				\$978,500

Within a budget approved by Treasury Board Secretariat, the Advisory Panel may retain such counsel, staff, or expertise considered necessary in the performance of its duties at reasonable remuneration approved by Treasury Board Secretariat. Panel Members shall be reimbursed for reasonable expenses incurred in connection with their duties in accordance with Treasury Board/Management Board of Cabinet Directives and Guidelines.

Any savings on per diem costs may be reallocated to procurement costs in the approved budget.

The panel's main deliverable is for December 31, 2016 however the panel will exist until March 31, 2017. The budget shows that some of the work of the panel may still occur after December 31, 2016 and is included in the maximum budget.

The Advisory Panel must follow Treasury Board/Management Board of Cabinet Directives and Guidelines and other applicable government policies in obtaining other services and goods considered necessary in the performance of duties, unless it is not possible to follow them.

Should such a circumstance arise that the Panel is not in a position to follow TB/MBC Directives and Guidelines, the Chair will consult with government representatives.

The members of the Advisory Panel, including the chair, shall be paid such remuneration and expenses as the Lieutenant Governor in Council may determine.

The Province will be responsible for the costs of the appointed members to attend the meetings. The costs of any individuals or expenses supporting the work of the Panel will also be borne by the Province.

Background

In connection with the preparation and audit of the 2015-16 Public Accounts, the Auditor General and the government's professional accounting staff disagreed regarding the application of Public Sector Accounting Standards (PSAS) to pension assets related to two pension plans that the Province jointly sponsors – Ontario Teachers' Pension Plan and Ontario Public Service Employees' Union Pension Plan. The government passed a time-limited regulation to require the accounting for these pension assets align with the interpretation of the Auditor General. This time-limited regulation enabled the professional accounting staff to take responsibility for the preparation of the Public Accounts in accordance with legislation and PSAS.

The government released an annual report and unaudited financial statements on October 3, 2016, and concurrently announced that an expert panel would be formed to review the application of PSAS to these pension assets.

On October 5, 2016, the Auditor General issued a qualified report on the 2015-16 Public Accounts. While the 2015-16 results were accepted by the Auditor General, the audit opinion was qualified because the comparative financial balances were not restated for the prior year to write off the pension assets.

An Expert Panel is being established as a short-term advisory body, appointed by the President of the Treasury Board, to review the application of the PSAS to accounting for pension assets and provide advice to government. The final report will be submitted to the President of the Treasury Board and provided to the Auditor General of Ontario, and made public thereafter. The future accounting for the pension assets in the preparation of the Province's financial statements will be guided by the report of the panel.

Risks

Proposed remuneration is consistent with that provided for other expert level advisory panels, which mitigates the risk of criticism for providing compensation at higher rates than are paid to OPS employees.

Name of analyst:	Sharon Stuckless/ Wendy Smith	Phone number:	416-326-3340/ 416-325-1280
Date:	October 26, 2016	Log number:	
Branch / Division:	MBCSB, PEMD		

APPENDIX A: PROPOSED MINUTE (UNDER DEVELOPMENT)

Further to the minute of October 5, 2016, the Ministry is requesting that TB/MBC:

Receive the report back, approve the remuneration of the Chair and members of the Independent Pension Asset Expert Panel, as a short-term advisory body of up to five members, for a period not to extend beyond March 31, 2016, and approve the Minister's Order establishing the Panel.

In this regard:

- i) Approve a revision to the completion date for the panel to March 31, 2017.
- ii) Approve the Minister's Order establishing the Panel as short-term advisory body with 4 Members including the Chair.
- iii) Approve the rate of remuneration of \$2,000 per diem to a maximum of \$150,000 for the Chair.
- iv) Approve the rate of remuneration for 3 members of up to \$1,900 per diem to a maximum of \$95,000 per member.
- v) Recommend to the Cabinet, the Order in Council for the remuneration of the Chair and the members in the amount of up to \$2,000 per diem for the Chair and \$1,900 per diem for the members.
- vi) Recommend to Cabinet an Order in Council to remunerate the Panel members at a rate of up to \$1900, not to exceed \$95,000 per appointee (totaling \$285,000).
- vii) Note that the Ministry will manage costs from within its existing allocation
- viii) Note that all members will be reimbursed for eligible expenses in accordance with the Travel, Meal and Hospitality Expenses Directive.

APPENDIX B: DETAILED FINANCIAL IMPACTS

Financial Impacts: Changes to Expense and Revenue					Table B1
		Fiscal Plan Basis			Appropriations Basis
\$ Millions		2015-16	2016-17	2017-18	2015-16
Initiative cost recommended		0.0000	0.0000	0.0000	
Expense changes:					
Operating item	Oper	0.0000	0.0000	0.0000	0.0000
Capital item	Cap	0.0000	0.0000	0.0000	00000
Revenue changes:					
Revenue increase/offset		0.0000	0.0000	0.0000	
Revenue decrease		0.0000	0.0000	0.0000	
Total Fiscal Impact (draw from c-funds)		0.0000	0.0000	0.0000	0.0000

APPENDIX C: DRAFT ESTABLISHMENT OIC

Treasury Board Secretariat

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MINISTER'S ORDER

PURSUANT TO section 6.1 of the *Ministry of Government Services Act*,

Expert advisory panel established

1. The Pension Asset Expert Advisory Panel (the “Advisory Panel”) is hereby established as a short-term advisory body, accountable to the President of the Treasury Board (the “Minister”), for a period not extending beyond March 31, 2017.

Terms of reference

2. The Minister shall determine the terms of reference of the Advisory Panel and may amend them from time to time.

Appointments

3. The Advisory Panel shall be comprised of up to **6** members appointed by the Minister, and the Minister may designate one member as the chair.
4. The members of the Advisory Panel, including the chair, shall serve at the Minister's pleasure for a period not extending beyond March 31, 2017.

Remuneration and expenses

5. The members of the Advisory Panel, including the chair, shall be paid such remuneration and expenses as the Lieutenant Governor in Council may determine.

Approved and
Ordered on _____

Liz Sandals
President of the Treasury Board

APPENDIX D: DRAFT REMUNERATION OIC

Verified/ Authority Verified/Compétence vérifiée: _____

Please print name/Nom en lettres moulées s.v.p.: Paul G. Korn

Telephone/Téléphone: 416-325-9395

Recommended by the Treasury Board/Management Board of Cabinet on:

Recommandé par le Conseil du Trésor / Conseil de gestion du gouvernement le:

Secretary/Secrétaire: _____



Ontario

- **Order in Council**
- **Décret**

On the recommendation of the undersigned,
the Lieutenant Governor of Ontario, by and
with the advice and concurrence of the
Executive Council of Ontario, orders that:

Sur la recommandation de la personne
soussignée, la lieutenant-gouverneure de
l'Ontario, sur l'avis et avec le consentement du
Conseil exécutif de l'Ontario, décrète ce qui
suit:

WHEREAS the President of the Treasury Board has established the Pension Asset Expert Advisory Panel (the "Advisory Panel") by Minister's Order made under section 6.1 of the *Ministry of Government Services Act*;

THEREFORE, PURSUANT TO subsection 6.1 (2) of the *Ministry of Government Services Act*,

Chair's remuneration

1. The Chair of the Advisory Panel shall be paid remuneration of **\$2000** per day, up to a maximum of **75** days, such that the maximum payable is **\$150,000**.

Other members' remuneration

2. The members of the Advisory Panel, other than the Chair, shall each be paid remuneration of **\$1900** per day, up to a maximum of **50** days, such that the maximum payable is **\$95,000** per member.

Expenses

3. In addition to the remuneration set out above, the members of the Advisory Panel, including the Chair, shall be reimbursed for reasonable expenses incurred in carrying out their duties on the Advisory Panel in accordance with the Management Board of Cabinet's *Travel, Meal and Hospitality Expenses Directive*

APPENDIX E: TERMS OF REFERENCE

Independent Pension Asset Expert Panel

Background

In connection with the preparation and audit of the 2015-16 Public Accounts, the Auditor General and the government's professional accounting staff disagreed regarding the application of Public Sector Accounting Standards (PSAS) to pension assets related to two pension plans that the Province jointly sponsors – Ontario Teachers' Pension Plan and Ontario Public Service Employees' Union Pension Plan. The government passed a time-limited regulation to require the accounting for these pension assets align with the interpretation of the Auditor General. This time-limited regulation enabled the professional accounting staff to take responsibility for the preparation of the Public Accounts in accordance with legislation and PSAS.

The government released an annual report and unaudited financial statements on October 3, 2016, and concurrently announced that an advisory panel would be formed to review the application of PSAS to these pension assets.

On October 5, 2016, the Auditor General issued a qualified report on the 2015-16 Public Accounts. While the 2015-16 results were accepted by the Auditor General, the audit opinion was qualified because the comparative financial balances were not restated for the prior year to write off the pension assets.

Governance

An Expert Panel is established as a short-term advisory body appointed by the President of the Treasury Board to review the application of the PSAS to accounting for pension assets and provide advice to government. The final report will be submitted to the President of the Treasury Board and provided to the Auditor General of Ontario, and made public thereafter. The future accounting for the pension assets in the preparation of the Province's financial statements will be guided by the report of the panel.¹

Mandate

The Expert Panel's mandate is to deliver advice and recommendations to the government on the application of PSAS to the recognition and measurement of pension assets. The Expert Panel's advice and recommendations to the government will consider:

- The requirement regarding control with respect to recognizing a pension asset for a joint defined benefit plan.

¹ The Public Sector Accounting Board established a task force to review the standards on pension plans. Should their review results in changes to the standards, these new standards would be applied by the Province.

- 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 their review of the retirement and post-employment benefits standards.

Timelines

A report to the President of the Treasury Board and the Auditor General of Ontario is due by the end of 2016.

Membership

The membership of the Panel will comprise experts in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards. All members will be appointed by the President of the Treasury Board.

The identified members should attend/participate in the meetings; no substitutes or alternates should attend in place of a member.

Support

The Province will identify individuals to support the Panel and work collaboratively to provide information related to the pension plans sponsored by the Province of Ontario.

Funding

The Province will be responsible for the costs of the appointed members to attend the meetings. The costs of any individuals supporting the work of the Panel will also be borne by the Province.