# Re: QPBriefing - Panel sides with government, concludes pension surpluses are assets - Minister Sandals quoted briefly downtext

**From:** EJS (TBS) <ejs@ontario.ca>
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**Date:** Mon, 13 Feb 2017 18:43:40 -0500

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**From:** Ostergard, Matt (TBS)
**Sent:** Monday, February 13, 2017 5:49 PM
**To:** EJS (TBS)
**Cc:** Tedesco, Lauren (TBS); Jancik, Mike (TBS)
**Subject:** Fw: QPBriefing - Panel sides with government, concludes pension surpluses are assets - Minister Sandals quoted briefly downtext

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**From:** Cairns, Alan (TBS) <Alan.Cairns@ontario.ca>
**Sent:** Monday, February 13, 2017 5:42 PM
**To:** Tedesco, Lauren (TBS); Ostergard, Matt (TBS); Prins, Sebastian (TBS)
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**Subject:** QPBriefing - Panel sides with government, concludes pension surpluses are assets - Minister Sandals quoted briefly downtext

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February 13, 2017

## Panel sides with government, concludes pension surpluses are assets

By Sabrina Nanji

*The government has accepted the panel's conclusion but the auditor general's stance won't be known until later in the week.*

The government claimed the latest victory in an accounting battle with the auditor general after an independent panel concluded $10.7 billion worth of pension funds should be counted on the balance sheet after all.

Auditor general **Bonnie Lysyk** had said the province shouldn't consider surpluses for two of its jointly sponsored pension plans - the Ontario Teachers Pension and the Ontario Public Service Employees Union (OPSEU) Pension Plans - as assets, as it had been doing since 2001, because it does not have unilateral control of the cash.

The panel sided with the government in their final report that was publicly released Monday. It concluded that the way the pension plans are managed meet the definition of "economic resource."

"The fact that you can't directly take funds out of the plan doesn't mean that you don't have an asset," said **Tricia O'Malley** , chair of the government-appointed panel and the Canadian Actuarial Standards Oversight Council.

O'Malley gave reporters the example of two people owning a home.

"Now, simply because you and your friend own this property together, are you going to leave your share of that rental property off your net worth statement as an asset? I doubt it, if that's something that's of value and you have a share of it. So, the question of whether or not an asset is immediately accessible doesn't mean that it's not an asset, from our point of view," O'Malley said.

She explained that the government has assets that are not readily accessible.

"A lot of government assets don't generate cash flow and a lot of government assets can't be sold. So, a road is an asset to a government because it allows it to provide public service of transportation. But you can't move a road and you can't sell a road, unless it's a toll road, but it's still an asset because it's there to provide public services."

The difference in accounting for the two plans amounted to a $1.5-billion difference in last year's financial statements - showing a $3.5-billion deficit for 2015-16, not $5 billion, as Lysyk had calculated.

The panel's conclusion gives the government more wiggle room to fulfill its pledge to table a balanced budget this spring.

It isn't yet clear[1] if the auditor general will fall in line with the panel's findings. Her office released a statement saying they are still reviewing the report, which was shared with her office on Feb. 3.

"Once her office and her expert advisers have finished reviewing this final report, the auditor will then provide comment to the media later in the week," a statement from Lysyk's office said.

The Progressive Conservatives charged the government of attempting to "artificially" balance the books by "self-appointing" a panel to weigh in.

"Their conclusions are contrary to what our province's independent auditor insists. At the end of the day the people of Ontario have to ask themselves, who are you going to believe, the independent auditor, or the scandal-plagued government?" Tory finance critic **Vic Fedeli** said. "This was critical for them. Basically, they've gone out and hired people[2] whose findings would be more convenient for them ... They have appointed a private panel of auditors to come to the province's conclusion."

OPSEU president **Warren (Smokey) Thomas** , who was on hand for the panel's presentation, said he's concerned the panel's conclusion was politically motivated.

"If I was going to fall on a side of advice, I'd fall on the advice of the auditor general," he said. "The government has gone to extraordinary length to have somebody try to disagree and discredit the auditor general."

Thomas also said he's concerned the province's management of other pension plans may be called into question. The panel's mandate included taking a look at "recognition and measurement" other provincially sponsored plan assets, though that was not addressed in the report that was made public Monday.

"It's a political fight with the government - it's just starting, it's not over yet. I don't trust the government, there's some other play here," he added.

Meanwhile, the government signaled it intends to apply the panel's interpretation.

"We are committed to implementing the advice of this independent panel and will use it in preparing the province's financial statements," Treasury Board President **Liz Sandals** said in a release.

Finance Minister **Charles Sousa** added the panel's "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."

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## References

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