

Check Against Delivery

Statement by Bonnie Lysyk, Auditor General of Ontario February 16, 2017

Good morning, everyone, and thanks for joining us today.

On Monday, the provincial government's panel looking into the pension asset surplus situation produced its report in response to this Office's position.

We have had an opportunity to review it and are here today to talk about it.

First—by way of background—in accordance with the *Auditor General Act*, I am an independent, non-partisan Officer of the Legislative Assembly.

This provides a vital safeguard to me and my Office to fulfill our responsibilities objectively and fairly by being independent of the government and its administration.

It's important to note that in accordance with the *Auditor General Act*, we must offer an opinion on the government's financial statements and whether they are reported fairly. This is our job.

Our position on the issue of the government's financial statements including the pension surplus—very simply put—was that in order to receive a clean audit opinion from us, we would need a signed negotiated agreement from the joint sponsors of the pension plans as evidence that the government has an accounting net asset that it can benefit from today.

In other words, the Province would need to get written permission from OPSEU and the Ontario Teachers' Federation to use that \$10.7-billion pension surplus. We have not received that evidence yet.

And I must be clear that the letter we received from OPTrust is not sufficient. It was an opinion from the CEO. We need a letter of negotiated agreement from the unions that says the Province can use that money.

Now, the government didn't like our opinion that we are required to provide.

So, it hired a panel to offer another opinion. And that's its prerogative.

In response to the panel's opinion: we are pleased to see that the panel agrees with us on what has been our main point all along—that the Province can't use money from the pension plan until the co-sponsor approves. In other words, they need two signatures on the cheque in order to get the stamp of approval from this Office.

That is what we have said. And that's what the panel said, right in its executive summary.

The fact is, the provincial government can choose to record this pension surplus money as an asset on its books. We are in no way stopping it from doing that.

What's at issue is it wants this Office to give its financial statements a clean audit opinion, supporting its desire to have unfettered access to that money. And we can't give that clean audit opinion until both the

public unions that are co-sponsors agree in writing to let the Province use that money.

This isn't about this Office and this isn't about me.

It is not my money. That money is for the benefit of employees and retirees, who have paid in to be able to live a comfortable life in retirement.

So, it's not my pension. It's not my budget deficit.

For 130 years, this Office has been serving the people of Ontario independently and in a completely non-partisan way. To suggest otherwise is misguided.

Why are we talking about this now? Well, the pension asset has recently started creating significant revenue that the government is using on its books. That put this issue on our radar and led to our Office investigating further.

Now, this is the key part: the Ontario Teachers' Federation is the real player in this pension issue, because it represents \$10.1 billion of the \$10.7 billion. That is the vast majority of the money we are talking about.

All we need is a letter of agreement between the Province and the Ontario Teachers' Federation saying the Province can use half of any pension surplus. Once we have that letter, this Office could sign off and give a clean audit opinion on this issue. It's as simple as that.

So, this isn't an issue between the Auditor's Office and the government. This is an issue between the two parties that have a joint bank account, so to speak: the Province and the Ontario Teachers' Federation.

The government wants to use their shared money to balance the budget, and that's between them.

Now, the Province argues it doesn't need the permission of the teachers—their partners in the joint account—to use that money. That's between the teachers and the government—and not this Office.

We should point out the Ontario teachers' pension plan has accounted for its pension as being in a liability position. So the provincial government and the teachers' plan cannot agree on whether there's a pension surplus or not.

You can now see why this Office can't give a clean audit opinion until these matters are resolved. Any surplus is trapped in a pension plan until the teachers and the Province negotiate otherwise.

We're not alone in this approach.

There are two other provinces in Canada that have public sector pension surpluses: New Brunswick and British Columbia. Both those provinces are doing what our Office is saying: not allowing that surplus to be used to balance the budget books without a written agreement.

Basically, the Ontario government and its partners in their joint pension plan have deals to deposit money but no negotiated agreements to use any surplus. So my message is clear: show me the letter. Show me the letter that says you can use that pension money with permission—with an agreement.

Until that happens, the bottom line is: this Office can't give its stamp of approval on this particular issue.

I'm happy to take any questions.