RE: Draft statements for tomorrow

From: "Forgione, Andrew (OPO)" <andrew.forgione@ontario.ca>
To: "Ostergard, Matt (TBS)" <matt.ostergard@ontario.ca>, "Tedesco, Lauren (TBS)" <lauren.tedesco@ontario.ca>, "Lazarus, Jordan (OPO)" <jordan.lazarus@ontario.ca>
Cc: "@OPO-Media Relations and Issues Management" <opo-mediarelationsandissuesmgmt@msgov.gov.on.ca>, "Jackson, Kelly (MOF)" <kelly.jackson2@ontario.ca>, "Ingram, Kelsey (MOF)" <kelsey.ingram@ontario.ca>, "Moore, Brynne (MOF)" <brynne.moore@ontario.ca>
Date: Thu, 16 Feb 2017 11:46:37 -0500

Fyi. Matt – you're good to send

Auditor refuses to back down in $10.7B pension feud

Ontario's legislative watchdog is escalating a $10.7 billion standoff with the provincial government over funded pension surpluses.

Auditor general Bonnie Lysyk is demanding proof "in writing" from the unions that they are okay with the government booking taxpayer-funded pension surpluses for accounting purposes. (NATHAN DENETTE / THE CANADIAN PRESS)

By ROBERT BENZIE Queen's Park Bureau Chief
Thu., Feb. 16, 2017

Ontario's legislative watchdog is escalating a $10.7 billion standoff with the provincial government over taxpayer-funded pension surpluses.

Auditor general Bonnie Lysyk insisted Thursday the co-sponsored Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan shouldn't be booked as assets because the government does not have ready access to the funds.

And Lysyk is demanding proof "in writing" from the unions that they are okay with the government booking the surpluses a public asset for accounting purposes.

"Show me the letter that says you can use that pension money with permission – with an agreement," the auditor told reporters at Queen's Park.

There has been no suggestion the government intends to dip into the pension funds, which would be illegal. The question is whether the pension surplus can be counted as an asset or not at all.

The accounting dispute is worth $1.5 billion to the province's bottom

line this year and could be the difference between Premier Kathleen Wynne's Liberals balancing the books or remaining in deficit.
On Monday, a panel of accounting experts – led by Tricia O'Malley, chair of the Canadian Actuarial Standards Oversight Council – concluded the funds are indeed a public asset.
But Lysyk, who blindsided the provincial government in September by reversing her position on surpluses that had signed off on by her and her predecessors for the previous 14 years, was defiant.
"This isn't about me," she said.
"It is not my money. That money is for the benefit of employees and retirees ... so it's not my pension. It's not my budget deficit."
On Monday, O'Malley said the conflict was "a difference of a professional opinion between the professional accounting staff of government and the staff at the office of the auditor general on how the surpluses of these two plans ought to be dealt with in the public accounts."
"We believe that an asset does exist — the net pension asset meets the definition of an economic resource, which is what an asset is," she said.
"Many government assets are not accessible. A road is an asset to a government because it allows it to provide public services of transportation, but you can't move a road or you can't sell a road unless it's a toll road, but it's still an asset."
Treasury Board President Liz Sandals was not immediately available for comment Thursday.

From: Ostergard, Matt (TBS)
Sent: February-16-17 11:43 AM
To: Forgione, Andrew (OPO); Tedesco, Lauren (TBS); Lazarus, Jordan (OPO)
Cc: @OPO-Media Relations and Issues Management; Jackson, Kelly (MOF); Ingram, Kelsey (MOF); Moore, Brynne (MOF)
Subject: RE: Draft statements for tomorrow

Will get back to you asap

From: Forgione, Andrew (OPO)
Sent: Thursday, February 16, 2017 11:42 AM
To: Ostergard, Matt (TBS); Tedesco, Lauren (TBS); Lazarus, Jordan (OPO)
Cc: @OPO-Media Relations and Issues Management; Jackson, Kelly (MOF); Ingram, Kelsey (MOF); Moore, Brynne (MOF)
Subject: RE: Draft statements for tomorrow
Importance: High

Matt – can you run this by the Minister asap. We made minor changes at the top – Lauren and Jason are good.

Statement from Hon. Liz Sandals, President of the Treasury Board

"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."

They also concluded that the government controls access to the pension surplus which has a future economic benefit to the province and recognizing the asset will provide an accurate representation of the province's financial position.

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 background 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: Ostergard, Matt (TBS)
Sent: February-16-17 11:19 AM
To: Forgione, Andrew (OPO); Tedesco, Lauren (TBS); Lazarus, Jordan (OPO)
Cc: @OPO-Media Relations and Issues Management; Jackson, Kelly (MOF); Ingram, Kelsey (MOF); Moore, Brynne (MOF)
Subject: RE: Draft statements for tomorrow

Latest draft:

"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 controls access to the pension surplus which has a future economic benefit to the province and recognizing the asset will provide an accurate representation of the province's financial position.

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: Thursday, February 16, 2017 10:26 AM
To: Tedesco, Lauren (TBS); Lazarus, Jordan (OPO); Ostergard, Matt (TBS)
Cc: @OPO-Media Relations and Issues Management; Jackson, Kelly (MOF); Ingram, Kelsey (MOF); Moore, Brynne (MOF)
Subject: RE: Draft statements for tomorrow

This is helpful too, should also work it into the statement. "the panel concluded…". Also – good to know if this new "all I needed was the letter" narrative is new, or if she's always said that to your officials.

The Panel also concluded 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: Tedesco, Lauren (TBS)
Sent: February-16-17 10:20 AM
To: Lazarus, Jordan (OPO); Ostergard, Matt (TBS); Forgione, Andrew (OPO)
Cc: @OPO-Media Relations and Issues Management; Jackson, Kelly (MOF); Ingram, Kelsey (MOF); Moore, Brynne (MOF)
Subject: Re: Draft statements for tomorrow

Looking into this now to get agreements.

From: Lazarus, Jordan (OPO)
Sent: Thursday, February 16, 2017 10:17 AM
To: Tedesco, Lauren (TBS); Ostergard, Matt (TBS); Forgione, Andrew (OPO)
Cc: @OPO-Media Relations and Issues Management; Jackson, Kelly (MOF); Ingram, Kelsey (MOF); Moore, Brynne (MOF)
Subject: RE: Draft statements for tomorrow

Could we pull the agreements we have with both unions for the Pension plans, the panel mention these agreements yesterday and they refute everything the AG is saying

These quotes are helpful to be added to statement number 2, there from Tricia O'Malley 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"

" Uros mentioned that there are agreements in place. One of them is an appendix to the partners' – the sponsors' agreement – the partners' agreement between the sponsors. It came into place I think during their – during the downturn because what it tells them is it's an already-agreed-upon protocol for the use of the surplus in the teachers' plan. So because the teachers accepted the reduction in the indexing of their pensions, so not indexed for inflation anymore, the first priority is to restore the – all the indexation, and if you look at the reports of teachers' in the last little while, that's what they've been doing is using the surplus to restore the indexation of the pension benefits. And once that's done, the next objective is to reduce contributions for both the teachers and the province. So there's a clearly-laid-out contemplated plan about how – how that surplus is going to be used"

"And as I said the funding management policy of the teachers plan specifically doesn't contemplate asset withdrawals at all, it specifically says contribution reductions or holidays are perfectly permissible"

From: Lazarus, Jordan (OPO)
Sent: February-16-17 7:56 AM
To: Tedesco, Lauren (TBS); Ostergard, Matt (TBS); Forgione, Andrew (OPO)
Cc: @OPO-Media Relations and Issues Management; Jackson, Kelly (MOF); Ingram, Kelsey (MOF); Moore, Brynne (MOF)
Subject: RE: Draft statements for tomorrow

Ok I think that still works, let's keep her on standby and let media know after the press conference she's available then (if we need to)

From: Tedesco, Lauren (TBS)
Sent: February-16-17 7:50 AM
To: Lazarus, Jordan (OPO); Ostergard, Matt (TBS); Forgione, Andrew (OPO)
Cc: @OPO-Media Relations and Issues Management; Jackson, Kelly (MOF); Ingram, Kelsey (MOF); Moore,

Brynne (MOF)
Subject: Re: Draft statements for tomorrow

The chair won't be available until 3pm today as she is in meetings and on the road.

From: Lazarus, Jordan (OPO)
Sent: Thursday, February 16, 2017 7:46 AM
To: Ostergard, Matt (TBS); Forgione, Andrew (OPO)
Cc: Tedesco, Lauren (TBS); @OPO-Media Relations and Issues Management; Jackson, Kelly (MOF); Ingram, Kelsey (MOF); Moore, Brynne (MOF)
Subject: RE: Draft statements for tomorrow

A couple updates to the statements below, is the chair willing to speak to media today?

AGREEMENT:

"I am pleased that there is now agreement between the Province's professional accounting staff and the Auditor General regarding the accounting standards for Ontario's jointly sponsored pension plans.

The Independent Expert Panel concluded that the province's share of the surplus in the net pension assets of both the Ontario Teachers' Pension Plan and the Ontario Public Service Employees Union Pension Plan should be recognized as an asset in Ontario's financial statements. They came to this conclusion because recognizing this asset will provide a faithful representation of the province's financial position.

I would like to thank the members of the Independent Expert Panel for their thorough analysis. I look forward to continuing to work with the Auditor General."

DISAGREEMENT:

"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 controls access to the pension surplus which has a future economic benefit to the province and recognizing the asset will provide an accurate representation of the province's financial position.

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."

AG WANTS A NEW PANEL/ORGANIZATION TO LOOK INTO THIS:

"Our government was clear when we looked to strike an independent panel that we would do so in collaboration with the Office of the Auditor General. This offer was declined by the Auditor. The government then decided to move forward with its commitment to appoint an independent Expert Panel to provide advice and recommendations on the application of public sector accounting standards to Ontario's net pension assets. The panel was chaired by Tricia O'Malley, who was Chair of the Canadian Accounting Standards Board and a member of the International Accounting Standards Board. Panel members have expertise in the areas of jointly sponsored pension plan governance, actuarial modelling for pension plans and public sector accounting standards. 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."

From: Lazarus, Jordan (OPO)
Sent: February-15-17 4:39 PM
To: Ostergard, Matt (TBS); Forgione, Andrew (OPO)
Cc: Tedesco, Lauren (TBS); @OPO-Media Relations and Issues Management; Jackson, Kelly (MOF); Ingram, Kelsey (MOF); Moore, Brynne (MOF)
Subject: RE: Draft statements for tomorrow

Adding the group, some edits below, we'll obviously have to adjust depending on what she says tomorrow,

I'm also wondering if any of the panel members would be available to talk to the media tomorrow? And if either of your offices have received a heads up yet on which way she is leaning

AGREEMENT:

"I am pleased that there is now agreement between the Province's professional accounting staff and the Auditor General regarding the accounting standards for Ontario's jointly sponsored pension plans.

The Independent Expert Panel concluded that the province's share of the surplus in the net pension assets of both the Ontario Teachers' Pension Plan and the Ontario Public Service Employees Union Pension Plan should be recognized as an asset in Ontario's financial statements. They came to this conclusion because recognizing this asset will provide a faithful representation of the province's financial position.

I would like to thank the members of the Independent Expert Panel for their thorough analysis. I look forward to continuing to work with the Auditor General."

REWRITE – DISAGREEMENT:

"The Independent Expert Panel released its thorough advice, concluding 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 controls access to the pension surplus which has a future economic benefit to the province and recognizing the asset will provide an accurate representation of the province's financial position

We are committed to implementing the advice of this independent expert panel and will use it in preparing the province's financial statements."

ADDITIONAL LINES: AG CLAIM OF OFFERING ADDITIONAL PANEL

"Our government was clear when we looked to strike an independent panel that we would do so in collaboration with the Office of the Auditor General. This offer was declined by the Auditor. The government then decided to move forward with its commitment to appoint an independent Expert Panel to provide advice and recommendations on the application of public sector accounting standards to Ontario's net pension assets. The panel was chaired by Tricia O'Malley, who was Chair of the Canadian Accounting Standards Board and a member of the International Accounting Standards Board. Panel members have expertise in the areas of jointly sponsored pension plan governance, actuarial modelling for pension plans and public sector accounting standards. We are committed to implementing the advice of this independent panel and will use it in preparing the province's financial statements."

From: Ostergard, Matt (TBS)
Sent: February-15-17 4:10 PM
To: Forgione, Andrew (OPO); Lazarus, Jordan (OPO)
Cc: Tedesco, Lauren (TBS)
Subject: Draft statements for tomorrow

Hi guys –

Below are draft reactive statements for tomorrow morning.

AGREEMENT:

"I am pleased that there is now agreement between the Province's professional accounting staff and the Auditor General regarding the accounting standards for Ontario's jointly sponsored pension plans.

The Independent Expert Panel concluded that the province's share of the surplus in the net pension assets of both the Ontario Teachers' Pension Plan and the Ontario Public Service Employees Union Pension Plan should be recognized as an asset in Ontario's financial statements. They came to this conclusion because recognizing this asset will provide a faithful representation of the province's financial position.

I would like to thank the members of the Independent Expert Panel for their thorough analysis. I look forward to continuing to work with the Auditor General."

REWRITE – DISAGREEMENT:

"The Pension Asset Expert Advisory Panel released its independent advice, concluding that the province's share of the net pension assets of both the OTPP and OPSEUPP should be recognized as an asset in Ontario's financial statements. Recognizing the asset will provide a faithful representation of the province's financial position and it would be misleading not to recognize the province's share.

We are committed to implementing the advice of this independent panel and will use it in preparing the province's financial statements."

ADDITIONAL LINES: AG CLAIM OF OFFERING ADDITIONAL PANEL

"Our government was clear when we looked to strike an independent panel that we would do so in collaboration with the Office of the Auditor General. This offer was declined. The government moved forward with its commitment to appoint an independent Pension Asset Expert Advisory Panel in order to provide advice and recommendations on the application of public sector accounting standards to Ontario's net pension assets. The panel was chaired by Tricia O'Malley, who was Chair of the Canadian Accounting Standards Board and a member of the International Accounting Standards Board. Panel members have expertise in the areas of jointly sponsored pension plan governance, actuarial modelling for pension plans and public sector accounting standards. We are committed to implementing the advice of this independent panel and will use it in preparing the province's financial statements."

Matt Ostergard
Communications Advisor
Office of the Hon. Liz Sandals, MPP
President of the Treasury Board
Matt.Ostergard@Ontario.ca | Desk: 416-326-3839 | Cell: 647-588-5612