Summary of Dec 9th

From: "MacIntyre, Kyle (TBS)" <kyle.macintyre@ontario.ca>
To: "Angus, Helen (TBS)" <helen.angus@ontario.ca>
Cc: "Simone, Nicole (TBS)" <nicole.simone@ontario.ca>
Date: Fri, 09 Dec 2016 16:44:37 -0500
Attachments: TB_MBCFiscalUpdateDeck_v3.pptx (398.34 kB); Fiscal Planning Deck(FPC Dec 14)_v8.pptx (248.83 kB); SOC briefing accounting risks_Dec 8 pm.pptx (391.8 kB); OTPP AG Chart -- Extended.pdf (91.07 kB); OPSEU Chartv1 (3).pdf (89.74 kB); Appointees Comp Options Deck v16.pptx (175.67 kB)

Confidential Advice to Cabinet

Hi Helen,

Here's the summary from today. Enjoy your upcoming visit with your bestie.

<u>Fiscal Update briefing of Scott</u>

- TB/MBC deck: We spent minimal time on the draft TB/MBC deck and shared a copy with the MO for their review; the major point of discussion was that TB/MBC doesn't usually get much of a deep dive on the revenue forecast, etc, so this would be a slight departure from normal practice. However, it sets up the proper context to the work they will be doing on the expense side, so it will likely stay in. MOs have yet to weigh in (deck attached – same as previously shared).
- Staff will prepare some minister speaking points for the deck.

- FPC fiscal update deck (attached – same as previously shared):
    - The first few slides are a reminder of the fiscal lifting required (at this point) to balance and are repeats from this week's FPC deck. This didn't spark much conversation except around the idea that we are potentially under highlighting additional expenses we know that are on the horizon but not included in our gap charts (e.g. electricity, etc).
    - The new slides start on slide 9 which is meant to identify (and question) what our current fiscal anchors are (what does success look like)…it lists a few key questions/considerations that will need to be resolved in finalising what the 17-18 document will look like from a fiscal numbers perspective.
    - Slides 10-14 are the revenue/expense tools we could be considering in trying to drive towards a balanced budget.
        - These slides and slide 9 prompted Scott to ask what is it that we are really trying to solve for? Balance, more investments (allowable by increasing the deficit), etc…a question without an answer at the moment
        - Mike is hoping that by raising these tools/having a conversation at FPC, we can get permission to work these up in a concrete way via some weekend/full day retreat with staff ahead of a MMP meeting in January
    - Slide 14 is our contribution to the expense tool work; this will require some additional thinking/flushing out, which Karen's folks are working on. Some additional thinking and linking to transformational ideas will be worked in here.
    - Slide 15 is a thought piece slide on what different fiscal anchors (a redefinition of success vs. slide 9) could be; a food for thought slide.
- Next steps: a redraft coming later Friday or over the weekend which you will get. We'll share with the MO and have a briefing with the M on Tuesday afternoon.

<u>Accounting Risks w SoC</u>

- Cindy and Karen took Steve, Scott, Steven and Gadi through the attached deck and graphs.
- On the panel work front:
  - Cindy hasn't heard anything concerning in her conversations/meetings with the panel, though she hasn't been in the room with the Panel all the time; their work is not complete, so we can't draw any conclusions at this point
  - We probably won't be able to recognize an asset on HOOPP and CAATT (they are not jointly sponsored plans) – but those plans don't impact this year or next in any significant way
  - The Panel is scheduled to meet with the AG on December 16. She is preparing materials for the meeting.
  - The Chair will be ready to provide a briefing in early January; finalisation of the panel report targeting end of January
- IFRS-US GAAP
  - The deck identifies a few options in dealing with this. If the province moves to IFRS, it would be a large hit to the fiscal plan ($1B) in 16-17 with ~$100M fiscal impact each year for the next three fiscal years. For Scott, this is not a bad place to be from a fiscal plan perspective (take the hit this year, less impact in the years we are trying to balance).
  - There are other approaches that could also be utilised that smooth out the fiscal impact over 4years (~$300M per year or so)
  - This discussion became tied to the pension asset issue - if you managed to win on the pension asset side, you would not want to be qualified because of the IFRS/US GAAP issue
- Cap & Trade
  - We are waiting on MOECC to provide us with additional information on why they think the revenue gain should happen in the year of the auction (2016 vs. 2017). To be continued on that front
  - We have started to engage the AGO on this issue
- Changes to consolidation
  - We may want to push this conversation to a later fiscal year. Changes to consolidation recognition (e.g. consolidating BPS entities like CAS, universities, etc on to te books) could impact government metrics it likes to raise (e.g. lowest expense per capita in Canada, net debt to GDP, etc)
- The other slides we didn't spend much time on.

<u>OIC Remuneration</u>

- A good conversation with Mike (see deck attached) today; we'll be catching you up with a briefing on Tuesday
- Staff have started to unpack the data to give us a better understanding of the problem, it's starting to reveal a more complex state than previously understood
- A new option (slide 9) has been added, essentially pass along the 6.4% increase to everyone and then take the time to understand/review the policy and then apply a go fwd approach with a new compensation strategy for these appointees.
- Some follow-ups coming from the conversation:
  - Need to continue to unpack the data (see slides 22-23 for a sense of the population we are dealing with)
  - Need to better understand the numbers in terms of how many appointees remuneration is in line with the directive and how many are actually outliers (exceptions to the directive); this will inform how additionally complex this issue is
  - Need to better understand the costing for each of the options
  - Need to better understand the legal risks associated with the approaches; what changes to the directive could be made to minimize the legal risk, document decision-making/policy rationale, and communicate the policy approach to buttress against potential legal action
  - We need to not lose sight of GSB reform and how the potential approaches dealt with here may impact that issue
- Shawn mentioned that he and Scot have been invited to meet with DM Dennis on Monday,

but it's not clear to them what she wishes to discuss. We'll get a debrief from them on Monday.

<u>Other</u>

- I've shared the COE email discussion that Mike had w Nicole
- We and staff continue to spend a lot of time working with MO staffers on questions they have around the various PRRT submissions they are the portfolio advisor on
- We will be setting up a deeper dive with MO/PO on the indigenous programs/funding conversation for next week