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Business Case for
Complex Accounting Support
Pensions

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Office of the Provincial Controller
Treasury Board Secretariat
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1.0 Executive Summary

Treasury Board Secretariat, Office of the Provincial Controller Division (OPCD) requires the services of a public accounting firm with subject matter expertise in pension accounting standards established by the Public Sector Accounting Standards (PSAB). The firm will work collaboratively with OPCD to provide time-sensitive and confidential advice related to the accounting policies of the government related to the accounting for pensions on the Province's current and future consolidated financial statements.

In addition to providing advice to OPCD on the interpretation and application of PSAB accounting standards on pension balances and costs reflected on the Province's books, the service provider may be requested to participate in discussions with staff from the Office of the Auditor General.

Given the complex nature the accounting item under consideration, significance of potential impacts on the Province's fiscal plan and the need to apply professional judgment in the application of accounting standards, the proposed engagement will help to inform the government's decision on how to account for pensions on the province's books.

An RFS will be issued to three vendors which have been identified based on past experience as having extensive experience with public sector accounting standards (PSAB), auditing standards (CAS) and the Province's accounting policies.

The term of the Statement of Work resulting from the RFS is to be for a period of 9 months (until the end of March, 2017) and it is anticipated that the Statement of Work will be executed on or around July 12, 2016. The Statement of Work will include a 12 month optional extension period to manage any unforeseen delay with the initiative. The optional extension will also include a provision for follow-on work related to the project, if required.

2.0 Objective

The primary objective of this engagement is to provide support to decision makers regarding the appropriate basis for reflecting the pension-related impacts on the Province's consolidated financial statements and to help mitigate audit and future fiscal risks. Third party, independent advice regarding interpretation of PSAB accounting standards is considered critical to ensure fair reporting of pension-related amounts and activities in the 2015/16 Public Accounts and future budgets and financial reports (initially as related to the TPP). Informed analysis and conclusions regarding the accounting for assets and costs of the consolidated pension plans will be important to explain the province's accounting to stakeholders including senior management, Minister's Offices, the Auditor General, and possibly the Public Accounts Committee and other members of the Legislature and others.

3.0 Background and Current Situation

3.1 Current Situation

- As a matter of policy, Ontario's Budget, Estimates and Public Accounts are all prepared on a consistent set of standards set by the on Public Sector Accounting Board (PSAB).
- As a sovereign government, the Province is not bound by PSAB. A key objective of financial reporting is to ensure that the province's reports reflect the economic substance of the government's activities and supports sound fiscal policy decisions.
- PSAB has specific accounting standards related to pension accounting which include a 'ceiling test' which may limit the extent to which the Province can report a pension asset on the consolidated financial statements.
- The staff from the OAG has recently raised questions regarding the amount of pension asset reported on the Province's books. OPCD is currently working with the MOF Pension Policy group and the external actuary to better understand the terms of the TPP agreement (and other relevant agreements) and past activities which will help to inform the analysis. The results of the analysis could also have implications on other pensions reported in the Province's financial reports.
- Key to a reliable and complete analysis supporting fair reporting of the Province's results related to pensions is to have access to experts on PSAB pension accounting. Although OPCD has very knowledgeable and experienced staff, it is advantageous in complex situations such as this to supplement our internal resources to manage potential accounting, audit and fiscal risks.
- OPCD is initiating an RFS to procure expert advice on pension accounting as soon as possible to support effective analysis and decisions regarding accounting for the 2015/16 Public Accounts process and as input to the 2017 fiscal planning process.
- It is desirable to engage a service provider as soon as possible.

4.0 Scope

Advice and guidance for purposes of this engagement will focus on accounting analysis related to the interpretation of guidance from the Public Sector Accounting Board as related to the accounting standards related to pension accounting. Advice and guidance may also take into account relevant sections of the Canadian Auditing Standards as related to fair reporting of results (focusing on economic substance). The nature of services to be provided will entail verbal and written analysis, as well as in-person participation in dialogues on accounting impact including potential discussions with the Auditor General and other stakeholders.

5.0 Project Deliverables

The external service provider will provide a report summarizing its analysis, taking into account the standards of the Public Sector Accounting Board. The key audience for the report will be OPCD and senior management within TBS and MOF; however, it is understood that the service provider's advice may be referenced in OPCD's analysis, recommendations and discussions regarding the appropriate accounting for pension related balances and activities on the Province's books and fiscal plans.

The service provider will be required to gather data, conduct analysis, conduct meetings / interview sessions, as required.

6.0 Procurement Methodology

The Management Consulting Vendor of Record (OSS-00426611) will be used to acquire the required consulting services. As per the terms of the VOR, a minimum of 3 vendors will be solicited for a bid.

The DOFA required to proceed with this procurement is Director-level (level 3)

This procurement strategy is in compliance with the OPS Procurement Directives dated December 2014.

7.0 Recommendation

Proceed with a competitive procurement (VOR) for the required services as outlined in this business case.

8.0 High Level Cost and Time Estimates

Resources Required

Core Deliverables:

- 45 days, (326.25 hours) over 9 months, of external consulting expertise is estimated to be required for completion of the deliverables outlined above at an estimated cost of $150,000.. The resources required for this initiative may include a small team of specialists (1-3 consultants) however; it will be up to the bidders to propose the number of resources that will support this initiative.
- Estimated Project Start Date: July 12, 2016
- Estimated Project End Date: March 31, 2017
- Option extension of up to 12 months (time and money extension)

To manage any unforeseen delays, the Statement of Work will include an optional extension of up to 12 months. The optional extension will include a provision for follow-on work related to the project, if required. If the Ministry decides to exercise the optional extension period, the ceiling value of the Statement of Work may be increased to the full amount requested through this business case. If the Ministry intends to extent the

Statement of Work, the Ministry will communicate its intention to extend in accordance with the terms of the Statement of Work. If applicable, the extension may include a change order to revise the required deliverables for the optional extension period.

Budget

Ceiling of $249,000 (plus HST) is proposed in anticipation of various pieces of advice and guidance which may be required over the engagement period. The budgeted amount includes funds for the optional extension period.

9.0 Acceptance and Sign-off

Approval is within the authority of the Director of the Accounting Policy and Financial Reporting Director, Nadine Petsche.

N. Petsche

Nadine Petsche
Director, Accounting Policy and Financial Reporting

June 23, 2016
Date: