Pension Asset Expert Advisory Panel Supplemental Report

Media Questions and Answers

April 2017

Key Messages:

- The Pension Asset Expert Advisory Panel has released its independent advice and recommendations on how public sector accounting standards are interpreted as they apply to current and potential future net pension assets.

- The panel's first report concluded that the province's share of the net pension assets of both the Ontario Teachers' Pension Plan and the Ontario Public Sector Employees' Union Pension Plan should be recognized in Ontario's financial statements.

- The panel supports the accounting treatment that Ontario has used consistently since 2001.

- The panel has also issued a supplemental report that provides advice and recommendations on how to account for potential future net pension assets related to the Healthcare of Ontario Pension Plan and the Colleges of Applied Arts and Technology Pension Plan.

- The Ontario Government agrees with the panel's supplemental report because it is consistent with the first report. Both reports note that in cases where there is a potential future economic benefit or liability to the government, it should be recognized in the province's financial statements.

- The government is accepting the panel's recommendations, which will inform the preparation of the province's future financial statements.

- For 2015-16, following the advice of the panel means Ontario's deficit would be lowered by $1.5 billion.

- The government formed the Pension Asset Expert Advisory Panel to provide independent advice on how public sector accounting standards are interpreted as they apply to current and potential future net pension assets. The panel members have expertise in the areas of jointly sponsored pension plan governance, actuarial modelling for pension plans and public sector accounting standards.

- We will continue to move forward and present the province's finances fairly and accurately. We are on track to balance the Budget by 2017-18, and remain balanced in 2018-19.

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Supplemental Report

1. In layman's terms, what does the supplemental report say?

- When the Healthcare of Ontario Pension Plan (HOOPP) and the Colleges of Applied Arts and Technology Pension Plan (CAATPP) is in a net pension asset position, then the asset should be recognized in the Province's financial statements as it meets the definition of an asset.
- Because the government is not a sponsor, it does not have any influence in the decision-making with respect to the use of the surplus. Therefore, a valuation allowance is required to the extent that the expected future benefit is less than the calculated net pension asset..Allowance is most likely for the full value of the asset.

2. What did the Pension Asset Expert Advisory Panel do?

The Pension Asset Expert Advisory Panel has delivered advice and recommendations to the government on how to account for potential future net pension assets related to the Healthcare of Ontario Pension Plan (HOOPP) and the Colleges of Applied Arts and Technology Pension Plan (CAATPP).

The panel agrees that because there is a potential future economic benefit or liability to the government, both of these pension plans should be recognized in the province's financial statements.

3. Are the HOOP or CAATPP plans in surplus?

No. However it is anticipated that both of these plans will be in a surplus in the near future.

4. How did the panel reach its conclusion?

The Panel was provided with copies of relevant documents (relevant legislation, plan texts, sponsor agreements) and met with executives of both Plans to assist members to fully understand the facts and circumstances of the Plans. It also received analyses from the government setting out their understanding of the facts and conclusions.

The Panel performed its own independent analysis of those documents and the legal, actuarial and accounting issues and reached its own conclusions. The Panel also considered guidance in PSAS specifically on Retirement Benefits and other relevant sources referenced in the first report.

5. How do the findings compare to the panel's first report on OPSEUPP and OTPP?

There is a difference in how OPSEUPP and OTPP, and HOOPP and CAATPP are administered. The Healthcare of Ontario Pension Plan (HOOP) and the Colleges of Applied Arts and Technology Pension Plan (CAATPP) are jointly sponsored by multiple organizations. The Ontario government is a third party sponsor and has no direct control over decisions of the employer sponsors about benefit or contribution levels, funding of deficits or use of surpluses. Therefore, the panel's supplemental report concluded that Ontario can only indirectly benefit from any future surplus from HOOPP and CAATPP. This means a full valuation allowance would be applied to any future net pension asset for these plans.

6. How could the province 'indirectly benefit' from future surpluses?

The province might indirectly benefit from future surplus when the surplus is used for benefit improvements or to reduce employer contributions. The use of the surplus will result in a reduction of the net pension asset thus reducing the amount of the valuation allowance resulting in a lower pension expense in Public Accounts.

7. What is a valuation allowance?

The net pension asset represents the expected future benefit for the province. The valuation allowance reduces the net pension asset to the extent that the expected future benefit is less than the calculated net pension asset. In the case of HOOPP and CAATPP, based on the existing governance structures of the plans, the province does not directly benefit from the net pension asset and therefore a full valuation allowance is recorded.

8. This sounds like another case of creative accounting. Why is a valuation

allowance required when accounting for HOOPP and CAATPP, and not for OTPP and OPSEUPP?

There is a difference in how OPSEUPP and OTPP, and HOOPP and CAATPP are administered. The Ontario Public Service Employees Union Pension Plan and Ontario Teachers' Pension Plan are jointly sponsored pension plans where the Government of Ontario is a co-sponsor. The sponsors have shared control over the retirement benefit plan, and each sponsor can recognize an asset relating to its portion of that jointly controlled asset. Therefore, the panel concluded that the government will be able to benefit from the full amount of each net pension asset, and as a result, no reduction in the value is necessary.

The Healthcare of Ontario Pension Plan (HOOP) and the Colleges of Applied Arts and Technology Pension Plan (CAATPP) are different because they are jointly sponsored by multiple organizations. The Ontario government is a third party sponsor and has no direct control over decisions of the employer sponsors about benefit or contribution levels, funding of deficits or use of surpluses. Therefore, the panel's supplemental report concluded that Ontario can only indirectly benefit from any future surplus from HOOPP and CAATPP. This means a full valuation allowance would be applied to any future net pension asset for these plans.

9. Is Ontario accepting the panel's recommendations?

Ontario agrees with the panel's supplemental report. Its findings are consistent with the first report on OPSEUPP and OTPP, which also noted that in cases where there is a potential future economic benefit to the government, it should be recognized in the province's financial statements.

10. Do these findings impact the province's current deficit?

If the plans are in a net asset position, based on the Panel's recommendations, a full valuation adjustment would be reported against the net pension asset unless an agreement it in place to use the surpluses to reduce future contributions. If the plans are in a net liability position, then the liability would be reported increasing the current deficit.

11. How will these findings impact the 2017 Budget?

If the plans are in a net asset position, based on the Panel's recommendations, a full valuation adjustment would be reported against the net pension asset unless an agreement it in place to use the surpluses to reduce future contributions. If the plans are in a net liability position, then the liability would be reported increasing the current deficit.

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12. How will you be accounting for these plans in future financial statements?

If the plans are in a net asset position, based on the Panel's recommendations, a full valuation adjustment would be reported against the net pension asset unless an agreement it in place to use the surpluses to reduce future contributions. If the plans are in a net liability position, then the liability would be reported increasing the current deficit.

13. Where does the Auditor General currently stand on this issue?

We cannot speak for the Auditor General and this question should be directed to her.

14. Did you share the report with her?

The report was shared with the Auditor General on March 22, 2017.

15. Why didn't the panel examine HOOPP and CAATPP as part of its first report?

The Panel's primary focus was to address the accounting for the OTPP and the OPSEUPP which was the focus of disagreement between the government's accountants and the AG during the 2015-16 Public Accounts.

16. How much has this panel cost taxpayers?

The Panel's cost is approximately $225,000.

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***Questions prepared for the OPSEUPP and OTPP report**

<u>Pension Asset Expert Advisory Panel and its report on OPSEUPP and OTPP</u>

<u>Top Media Qs&As:</u>

1. It sounds like the government is fighting with the Auditor General again. What do you say to this?

This is not true from the government's perspective. In fact, we look forward to resolving our difference of opinion between the Province's professional accounting staff and the Auditor General's Office.

We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management and high quality financial reporting.

If asked to explain the history of this issue:

In preparing the 2015-16 Public Accounts of Ontario, the Province's professional accounting staff and the Auditor General's Office engaged in discussions about the appropriate application of Public Sector Accounting Board standards regarding pension accounting for the Province's jointly sponsored pension plans.

From the government's perspective, the accounting treatment for jointly sponsored pension plans that Ontario used consistently since 2001 was and is still appropriate. Given the difference of opinion at the time, the Province filed a time-limited regulation, which legislated the accounting for pension assets of jointly sponsored pension plans for the 2015-16 Public Accounts only. This was consistent with the fiscal outcome proposed by the Auditor General.

Since the release of the Public Accounts, the government established a Pension Asset Expert Advisory Panel to provide independent advice on the should be applied in regards to net pension assets.. This panel has now provided its report on two of Ontario's jointly sponsored pension plans to the government and it has been shared with the Auditor General and the public.

The government will continue to move forward and present Ontario's finances fairly and accurately.

2. Are you saying the Auditor General is wrong?

Pension accounting is a complex issue that requires the application of professional judgment. With the help of the unique professional skillsets and perspectives of the independent advisory panel, we now have additional expert advice on how public sector accounting standards should be applied in regards to the Province's jointly sponsored pension plans.

Ontario has a strong track record of producing high-quality financial reports on a timely basis. In fact, prior to 2015-16, Ontario had clean audit opinions for 22 years.

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management.

3. This doesn't pass the smell test. Why should an average person on the street believe the government over an independent officer of the legislature?

Look, it's clear there was a disagreement among the Province's professional accounting staff and the Auditor General's Office on the appropriate application of Public Sector Accounting Board standards regarding pension accounting.

Prior to implementing the Auditor's change to the 2015-16 Public Accounts, the government had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years – resulting in unqualified (clean) audit opinions. It had also been accepted by three previous Auditors General. In fact, prior to 2015-16, Ontario had clean audit opinions for 22 years.

In a case like this the government has a responsibility to get the best advice it can to inform decision-making. The panel was completely independent from government. It arrived at its advice based on its own analysis of this complex issue.

The panel members are highly-qualified experts in their field. They were carefully chosen for their expertise in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and public sector accounting standards.

The government is accepting the expert panel's recommendations, which will inform the preparation of the Province's future financial statements.

4. The government picked the panel members and paid for their services. Some would say you simply bought the advice you wanted, when you didn't like what the Auditor General had to say. How do you respond?

The government has a responsibility to get the best advice it can to inform decision-making.

The panel was completely independent from government. It arrived at its advice based on its own analysis of this complex issue.

The panel members are highly-qualified experts in their field. They were carefully chosen for their expertise in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and public sector accounting standards:

- **Tricia O'Malley (panel chair)** is a Chartered Professional Accountant. She has been a member of the Canadian Accounting Standards Oversight Council since 2013, was Chair of the Canadian Accounting Standards Board and was a member of the International Accounting Standards Board from 2001 since 2007,

- **Murray Gold** is a leading legal practitioner and senior pension and benefits partner at Koskie Minsky LLP,

- **Uros Karadzic** is a senior actuary at Ernst and Young's People Advisory Services Reward practice, which includes pension, benefit and compensation consulting, and

- **Paul Martin** is a Chartered Professional Accountant, Comptroller with the Government of New Brunswick and previously a partner with the national accounting firm of Grant Thornton LLP.

At the end of the day these are the Province's financial statements. In the Auditor General's 2016 Annual Report, she acknowledged that as the preparers of the financial statements, Ontario is ultimately responsible for deciding how to apply the accounting standards.

5. The panel doesn't have the authority to overrule the Auditor General, so what was the point of establishing it?

At the end of the day these are the Province's financial statements. In the Auditor General's 2016 Annual Report, she acknowledged that as the preparers of the financial statements, the Province is ultimately responsible for deciding how to apply the accounting standards.

In a case like this the government has a responsibility to get the best advice it can to inform decision-making. The panel members are highly-qualified experts in their field. They were carefully chosen for their expertise in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and public sector accounting standards.

As a result of the independent panel's expert assessment, we now have additional advice on how public sector accounting standards should be applied in regards to to jointly sponsored pension assets. We thank them for their work on this complex issue. Ontario is committed to acting on all of the panel's recommendations.

The panel's advice has also been shared with the Auditor General, and we look forward to further discussions in the hopes of reaching agreement on how the accounting standard is applied to Ontario's future financial statements.

6. The Auditor General claimed you used creative accounting to overstate your numbers – how do you respond to that?

That is simply not true.

For the 2015-16 Public Accounts, the government passed a time-limited regulation to allow us to amend our accounting policies in order to be consistent with the Auditor General's assessment of our treatment of pension assets. This reflects the fiscal outcome proposed by the Auditor General. The use of a time-limited regulation enabled the professional staff to take responsibility for the financial statements, while dealing with a very complex issue that warranted additional time to resolve.

Prior to implementing this change, the government had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years – resulting in unqualified (clean) audit opinions. It had also been accepted by three previous Auditors General.

7. What is the Province's new deficit figure for 2015-16? In the 2015-16 Public Accounts you said it was $5 billion based on the Auditor General's math.

For 2015-16, following the advice of the panel means Ontario's deficit would be lowered by $1.5 billion.

8. What does this mean for the upcoming Budget?

The 2017 Budget will reflect the appropriate accounting treatment for current net pension assets informed by the panel's report, including the Province's updated Interim numbers for 2016-17, as well as forecasts for the fiscal planning period.

We are on track to balance the budget by 2017-18, and remain balanced in 2018-19. We will provide a full update on Ontario's fiscal situation in the near future.

9. What will the government do if the Auditor General does not accept the panel's recommendations?

At the end of the day these are Ontario's financial statements. In the Auditor General's 2016 Annual Report, she acknowledged that as the preparers of the financial statements, the Province is ultimately responsible for deciding how to apply the accounting standards.

The panel's advice will help inform discussions with the Auditor General in the hopes of reaching agreement on how the accounting standard is applied to future financial statements.

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor

General. Ontario has a strong track record of producing high-quality financial reports on a timely basis. Prior to 2015-16, Ontario had clean audit opinions for 22 years.

We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management.

The treatment of pension assets is a complex accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review pension accounting standards. The Public Sector Accounting Board will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will provide input through the process set out by the board.

If pressed:

We can't speculate on what the Auditor General will do. Our intention is to prepare future financial statements based on the panel's advice.

We remain on track to balance the budget by 2017-18, and remain balanced in 2018-19.

10. Is the government going to restate the 2015-16 Public Accounts?

Our intention is to prepare future financial statements based on the panel's advice.

The panel's report concluded that the Province's share of the net pension assets of both the Ontario Teachers' Pension Plan and the Ontario Public Sector Employees' Union Pension Plan should be recognized in Ontario's financial statements.

If pressed:

We will not re-issue the 2015-16 Public Accounts, but in preparing the 2016-17 Public Accounts, we will follow the advice of the panel and also restate the 2015-16 comparative balances in that document to reflect that advice.

In addition, in other fiscal documents such as quarterly updates or budget documents, the 2015-16 balances will reflect the panel's advice.

11. Will you continue to accept qualified opinions in the future?

I cannot speculate on how the Auditor General will characterize her future audit work. That decision is up to her.

What I can say is we will continue to move forward and present Ontario's finances fairly and accurately. We remain on track to balance the budget by 2017-18, and remain balanced in 2018-19.

However, I would remind you that the audit opinion for 2015-16 was not qualified, but rather the Auditor General qualified her opinion for the 2014-15 comparative results which did not reflect the regulated accounting.

Ontario has a strong track record of producing high-quality financial reports on a timely basis. In fact, prior to 2015-16, Ontario had clean audit opinions for 22 years.

We will continue to work with the Auditor General to build on the government's track record of responsible fiscal management.

12. The Auditor General says she also has a number of accounting opinions supporting her position. How do you respond to that?

We don't know who provided those opinions, what questions they were asked or what information they based their assessments on, so I can't comment on it.

In forming an opinion however; we can't overstate how important it is to consider all relevant facts. In that regard, we are pleased that the panel's report is being made public so that others will also have access to the same set of facts for further consideration.

The government has been fully transparent about the Pension Asset Expert Advisory Panel and how it arrived at its conclusions.

13. In layman's terms what does the report mean?

The panel's results are consistent with the government's view that the net pension assets for the Province's two jointly sponsored plans should continue to be recognized in Ontario's financial statements.

During the 2015-16 Public Accounts audit, the Auditor General raised some questions about Ontario's past accounting practices related to pension assets for two jointly sponsored pension plans - the Ontario Teachers' Pension Plan and the Ontario Public Sector Employees' Union Pension Plan.

Pension accounting requires the application of professional judgment. Despite best efforts to try to resolve the concerns, the Province's professional accounting staff and the Auditor General had differences of opinion.

We are pleased that the independent panel agrees with Ontario's view that net pension assets for jointly sponsored pension plans should continue to be recognized in the Province's financial statements, as they have been for the past 14 years.

Ontario is committed to acting on all of the panel's recommendations. We will prepare future financial statements based on the panel's advice.

Ontario remains on track to balance the budget by 2017-18, and remain balanced in 2018-19.

14. What did the Pension Asset Expert Advisory Panel do?

The Pension Asset Expert Advisory Panel has delivered advice and recommendations to the government on the application of Public Service Accounting Standards to Ontario's net pension assets for two joint defined benefit pension plans – Ontario Teachers' Pension Plan and Ontario Public Service Employees' Union Pension Plan.

The panel agrees that the net pension asset for each plan should be recognized as part of the Province's financial position.

Recognizing the asset will provide a faithful representation of Ontario's financial position.

15. How did the panel reach its conclusions?

The panel received and reviewed background information, including the governing documents of the plans and related agreements. It also received analyses from both the government and the Auditor General, setting out their respective understanding of the facts and their conclusions.

The panel met with both the government's professional accounting staff and the Auditor General and her Public Accounts staff responsible for the pension issue to ensure the panel fully understood their thinking. The panel then performed its own independent analysis of the documents and of the legal, actuarial and accounting issues using the expertise and experience of its members.

16. Who was on the panel?

The membership of the Pension Asset Expert Advisory Panel was comprised 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.

The panel included:

- Tricia O'Malley (Chair)
- Murray Gold
- Uros Karadzic and
- Paul Martin.

17. Were the panel's recommendations unanimous?

Yes, the panel's recommendations were unanimous.

18. Would you still have accepted the panel's recommendations if they weren't favourable to you?

I'm not going to speculate on something that didn't happen.

What I will say is that the panel took every effort to ensure that it had a complete understanding of the facts and studied this complex issue extensively. We are pleased that the panel's results are consistent with Ontario's view that net pension assets for jointly sponsored plans and should continue to be recognized in the Province's financial statements, as they as they have been for the past 14 years.

19. How long have you had the report?

The panel submitted its final report to the government in early February. A draft report was submitted late January. We used this time to analyze the recommendations, and consult with key stakeholders, including the Auditor General.

20. When you announced the panel in October 2016, you said the report was due to the President of the Treasury Board and the Auditor General of Ontario by the end of 2016. What happened?

When the panel was announced in October 2016, we had not yet identified the members. Once the panel was established, it was determined by the members that they would need additional time to conduct a thorough review of the issues at hand.

21. Your government keeps establishing panels to resolve your issues. Why can't you just make a decision?

The government has a responsibility to get the best advice it can to inform decision-making.

Pension accounting is a complex issue. We need the best advice in order to make well-informed decisions. Sometimes this means seeking independent expertise.

The Pension Asset Expert Advisory Panel members were carefully chosen for their expertise in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and public sector accounting standards.

With the help of the unique professional skillsets and perspectives of the independent advisory panel, we now have additional advice on how public sector accounting standards should be applied in regards to jointly sponsored pension plans.

<u>Jointly sponsored plans and accounting standards</u>

22. What is a jointly sponsored pension plan?

A joint defined benefit plan is a contractual arrangement between the government and another sponsor or sponsors representing plan participants

The Ontario Public Service Employees Union Pension Plan and Ontario Teachers' Pension Plan are jointly sponsored pension plans where the Government of Ontario is a co-sponsor.

The sponsors have shared control over the retirement benefit plan, and ensure that neither party is in a position to control the plan unilaterally. The assets of both pension plans are held in a trust for the beneficiaries of the plans. The plans are co-managed by the sponsors, and decisions regarding benefits and contributions require negotiation and agreement between both parties.

23. If the jointly sponsored plans are in surplus, is there a plan to reduce member contributions?

Reducing member contributions is something that would require discussion and agreement between both plan sponsors.

We are pleased that the independent panel agrees with Ontario's view that net pension assets for jointly sponsored pension plans should continue to be recognized in the Province's financial statements as they have been for the past 14 years.

24. The panel doesn't have the authority to overrule the Auditor General, so what was the point of establishing it?

At the end of the day these are the Province's financial statements. In the Auditor General's 2016 Annual Report, she acknowledged that as the preparers of the financial statements, the Province is ultimately responsible for deciding how to apply the accounting standards.

In a case like this the government has a responsibility to get the best advice it can to inform decision-making. The panel members are highly-qualified experts in their field. They were carefully chosen for their expertise in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and public sector accounting standards.

As a result of the independent panel's expert assessment, we now have additional advice on how public sector accounting standards should be applied in regards to to jointly sponsored pension assets. We thank them for their work on this complex issue. Ontario is committed to acting on all of the panel's recommendations.

The panel's advice has also been shared with the Auditor General, and we look forward to further discussions in the hopes of reaching agreement on how the accounting standard is applied to Ontario's future financial statements.

25. What does this mean for the upcoming Budget?

The 2017 Budget will reflect the appropriate accounting treatment for current net pension assets informed by the panel's report, including the Province's updated Interim numbers for 2016-17, as well as forecasts for the fiscal planning period.

We are on track to balance the budget by 2017-18, and remain balanced in 2018-19. We will provide a full update on Ontario's fiscal situation in the near future.

<u>Supplementary Questions from February</u>

26. Will you be providing the Auditor General proof "in writing" from the unions that they are okay with the government booking the surpluses as a public asset for accounting purposes?

No. We don't think this is necessary.

To clarify, the government disagrees with the Auditor General's interpretation of the accounting standards related to the province's jointly sponsored pension plans.

According to the Auditor General's interpretation, in order for the government to report the assets on the books, the government and the co-sponsors for the jointly sponsored plans (OTPP and OPSEUPP) would have to have signed agreements with the government stipulating in detail how the surpluses were to be used to reduce future contributions. This is not a requirement under the accounting standards, as the expert advisory panel has confirmed.

Furthermore, accounting standards should not drive government policy decisions. The Auditor General's suggestion would in fact result in the government taking certain actions in order to ensure that an asset could be reported according to the Auditor General's interpretation.

27. The Auditor General says the Ontario Teachers' Pension Plan financial statements show a liability. So why is Ontario counting it as a surplus?

Ontario prepares its financial statements in accordance with public sector accounting standards, consistent with all senior governments in Canada.

The Ontario Teachers' Pension Plan's financial statements are prepared using a different accounting framework. One key difference between these frameworks relates to the discount rate used to value the obligation for future payments to retirees, which impacts whether the pension plan is in a net liability or asset position.

For Ontario's financial statements, the discount rate used is the expected return on plan assets, which is consistent with the rate used by all senior governments in Canada.

For the OTPP financial statements, a lower discount rate is used to measure the obligation, thereby increasing the value of the obligation and causing the pension plan to be in an overall net liability position.

The use of different discount rates is appropriate based on the different accounting frameworks used, and does not suggest Ontario's accounting for the pension plan is incorrect.

28. How is Ontario going to spend the surplus? Can it be used for purposes other than pensions such as electricity rebates or school capital projects? Can this $1.5 billion windfall be used to build roads?

We have consistently said that the government does not intend to, nor does it even have the ability to withdraw assets from either the Ontario Teachers' Pension Plan or the Ontario Public Service Employees' Union Pension Plan.

The accounting surplus reported on Ontario's books has been calculated in accordance with public sector accounting standards. Under these standards, the net surplus calculated for accounting purposes can be reported as an asset as long as the province has a reasonable expectation of benefiting from reduced contributions. And as we've said, contributions can only be reduced with the agreement of both plan sponsors.

We are pleased that the independent panel agrees with Ontario's view that net pension assets for jointly sponsored pension plans should continue to be recognized in the province's financial statements as they have been for the past 14 years in accordance with public sector accounting standards.

29. How does this compare to British Columbia, New Brunswick and the TTC?

The Auditor General continues to reference other pension plans and suggest that their respective accounting treatment is somehow relevant to the accounting for Ontario's pension plans. This is simply not true. In fact, the Pension Asset Expert Advisory Panel specifically addressed this matter in its report. The panel advised that the pension plans in other provinces are different than those of Ontario. Caution should be exercised when trying to compare accounting among these jurisdictions, or others.

30. What happens next in this standoff with the AG?

Our intention is to prepare the province's financial plans and reports based on the panel's advice.

The panel's report concluded that the province's share of the net pension assets of both the Ontario Teachers' Pension Plan and the Ontario Public Service Employees' Union Pension Plan should be recognized in Ontario's financial statements. More specifically, it concluded that the government needs a reasonable expectation of recognizing future benefits from the pension surplus through future contribution reductions to recognize the asset under the accounting standards.

Ontario has followed the same pension accounting treatment since 2001. This had been accepted by the current Auditor General for fiscal 2013-14 and fiscal 2014-15, as well as three previous Auditors General.

We will continue to move forward and present Ontario’s finances fairly and accurately. We remain on track to balance the budget by 2017-18, and remain balanced in 2018-19.