FW: Updated Media scan - OPSEU release

From: "Hosick, Sarah (TBS)" <sarah.hosick@ontario.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>, "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>, "Tam, Nelson (TBS)" <nelson.tam@ontario.ca>
Date: Thu, 16 Feb 2017 17:29:31 -0500

Another OPSEU release.

From: Wesley, Jason (TBS)
Sent: February-16-17 5:08 PM
To: @TBS-L-Issues and Media; Balgobin, Sueanne (TBS); Cabell, Jonathan (TBS); Cusumano, Josephine (TBS); Eastwood, Alexander (TBS); MacIntyre, Kyle (TBS); Nelson, Dane (TBS); Simone, Nicole (TBS); Ostergard, Matt (TBS); Prins, Sebastian (TBS); Tedesco, Lauren (TBS)
Cc: Hosick, Sarah (TBS); Ovenden, Erin (TBS); Laughton, Patrick (TBS); Spadoni, Peter (MOF); Pichette, Marc (MOF); Blodgett, Scott (MOF); Kucherenko, Carly (TBS)
Subject: RE: Updated Media scan - OPSEU release

And here’s an OPSEU press release on the topic tweeted out 6 mins ago:

Press Release

Auditor General has it right on pensions: Thomas

Toronto – Ontario Auditor General Bonnie Lysyk is “100 per cent correct” when she says the provincial government has no unfettered right to count public employees’ pension funds as government assets, the President of the Ontario Public Service Employees Union says.

“We agree entirely with Ms. Lysyk when she says that the money in jointly-trusteed pension plans is ‘for the benefit of employees and retirees,’” OPSEU President Warren (Smokey) Thomas said today. “As President of OPSEU, I will never support any move to allow the government to siphon money from any of those plans for any other purpose.”

The provincial government maintains that surpluses in the Ontario Teachers’ Pension Plan and OPTrust, the pension plan for 87,000 current and former OPSEU members, should be accounted for as government assets on the province’s books.

But many public sector plans in Ontario are jointly trusteed, meaning that employers and unions manage the plans together. In a news release today, the Auditor General said she would not give the province’s books “a clean audit opinion” without a letter from plan sponsors agreeing to the government’s view.

“Members of my union were fighting for joint trusteeship at least as far back as the 1960s because they were tired of seeing government after government using their retirement savings as a source of cheap capital,” Thomas said. “We first got joint trusteeship in the early 1990s. As a result, we have a number of extremely well-run pension plans that deliver good, stable incomes to retirees at a very affordable cost.

“We have no interest in going back in time.”

For more information: Warren (Smokey) Thomas, 613-329-1931

From: Wesley, Jason (TBS)
Sent: February 16, 2017 5:01 PM
To: @TBS-L-Issues and Media; Balgobin, Sueanne (TBS); Cabell, Jonathan (TBS); Cusumano, Josephine (TBS); Eastwood, Alexander (TBS); MacIntyre, Kyle (TBS); Nelson, Dane (TBS); Simone, Nicole (TBS); Ostergard, Matt (TBS); Prins, Sebastian (TBS); Tedesco, Lauren (TBS)
Cc: Hosick, Sarah (TBS); Ovenden, Erin (TBS); Laughton, Patrick (TBS); Spadoni, Peter (MOF); Pichette, Marc (MOF); Blodgett, Scott (MOF); Kucherenko, Carly (TBS)
Subject: RE: Updated Media scan - Queen's Park Briefing story

Hi all,

Following is the QPB story on this issue, just published:

Pension tension roils as Ontario turns down Auditor's request to see surplus agreements in black and white

By Sabrina Nanji

The government cannot legally withdraw cash from jointly sponsored pension plan surpluses to spend however it wishes, but has agreements in place for how that might be used, such as rolling back contributions.

Auditor general **Bonnie Lysyk** told the government Thursday do not pass go, do not collect $10.7 billion in pension assets until she sees an agreement with the other plan sponsors in black and white - which the government isn't inclined to draft.

"Show me the letter that says you can use that pension money with permission - with an agreement," Lysyk said Thursday in the Queen's Park media studio. "Until that happens, the bottom line is, this office can't give its stamp of approval on this particular issue."

It was the first time the AG addressed reporters since the government-appointed expert advisory panel concluded[1] Monday the surpluses - $10.1 billion associated with the Ontario Teachers' Pension Plan and $521 million for the Ontario Public Service Employees Union Pension Plan, for a total of nearly $10.7 billion - should count toward the province's balance sheet.

Since those plans are jointly sponsored, Lysyk said both parties need to sign off on how the surpluses are used, whether that means rolling back contributions or taking a contribution holiday. According to the 2016 budget (which Lysyk said helped trigger a closer look at the accounting standard this year as opposed to any of the previous years since the province began including those assets in 2001), Ontario's matching contributions to the teachers' plan would grow to nearly $1.7 billion in 2016-17.

"But the parties have to agree . . . in order for the accounting to work its way through," Lysyk said. "Until there's that agreement, there is no asset."

Treasury Board President **Liz Sandals** doesn't seem to think written permission is necessary.

"They (the panel) 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," Sandals fired back in a statement.

The government cannot legally take cash from the pension fund to spend however it wishes. It has agreements in place for how a surplus might be used. For OPSEU's plan, the government is "free to use its allocation for benefit improvements or contribution reductions as it sees fit," the panel said in its report. For the teachers, there is an agreed-upon policy that, once any previous reductions are restored, "the next priority is to reduce contributions for both members and the government."

"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," added the panel, which was led by **Tricia O'Malley**, who chairs the Canadian Actuarial Standards Oversight Council.

The impasse began last fall, when Lysyk said the pension surpluses shouldn't be counted, since the government cannot unilaterally withdraw the funds for its own purse, leading to an unceremonious release of the public accounts for 2015-16. Because the panel sided with the government, the accounting reversal means the annual deficit for the last fiscal year was $1.5 billion less - rounding out at $3.5 billion instead of $5 billion. That would give the province more space to balance the budget this spring.

This isn't the first time the government and auditor have gone to fisticuffs, and the AG made a point to say that her stance was not borne out of partisan leanings. To suggest otherwise is "misguided," she told reporters.

"This isn't about this office and this isn't about me," Lysyk said. "It's not my pension. It's not my budget deficit."

The Tories, meanwhile, charged the Grits with belittling an independent officer of the legislature.

"Time and time again, the Wynne government makes decisions that unleash a torrent of doubts and criticisms, and that give the public serious concern they have something to hide," MPP **Lisa MacLeod**, the PC treasury critic, said in a release.

"After all, who would you trust - a hastily assembled panel paid $435,000[2] by the Wynne Liberals to dispute the auditor general, or the independent auditor general?"

Warren (Smokey) Thomas, president of OPSEU, said he agreed with the AG that the pensions are for the benefit of those public sector employees and retirees. He said he would not support "any move to allow the government to siphon money from any of those plans for any other purpose."

Lysyk is "100 per cent correct when she says the provincial government has no unfettered right to count public employees' pension funds as government assets," Thomas added in a release.

The Ontario Teachers' Federation said the accounting dispute was a matter for the AG and government to sort out.

The Ontario Teachers' Pension Plan office declined opportunity to comment.

From: Wesley, Jason (TBS)
Sent: February 16, 2017 3:05 PM
To: @TBS-L-Issues and Media; Balgobin, Sueanne (TBS); Cabell, Jonathan (TBS); Cusumano, Josephine (TBS); Eastwood, Alexander (TBS); MacIntyre, Kyle (TBS); Nelson, Dane (TBS); Simone, Nicole (TBS); Ostergard, Matt (TBS); Prins, Sebastian (TBS); Tedesco, Lauren (TBS)
Cc: Hosick, Sarah (TBS); Ovenden, Erin (TBS); Laughton, Patrick (TBS); Spadoni, Peter (MOF); Pichette, Marc (MOF); Blodgett, Scott (MOF); Kucherenko, Carly (TBS)
Subject: RE: Updated Media scan - statement from PCs and tweet from press office

Hi all,

The PC's have released the following statement from MPP MacLeod on the AG response to the panel report:

Statement from PC Treasury Board Critic Lisa MacLeod on the Auditor General's response to the Pension Asset Advisory Panel Report

February 16, 2017

"The Auditor General, Bonnie Lysyk, has shown a prudent and responsible approach to ensuring the government follows the letter of the law in recording assets and revenues.

"The fact is, the Government cannot lawfully use the surpluses of two pension plans to balance its budget until it has agreement from the plans' co-sponsors (OPSEU and the Ontario Teachers' Federation).

"There is still no evidence that the government and the unions are recording the pension surplus the same.

"If it was not for the Auditor General pointing this out, the Government may have steamrolled over due process and laid claim to these assets as a surplus without agreement or approval.

"It's unfortunate the Liberals failed to take a proper account of their duties before deciding to hire a nearly half-million dollar panel for a secondary opinion. The fact is, this panel made the same conclusion as the Auditor General that an agreement from all parties is required.

“The Auditor General is an independent officer and her office consists of more than 100 accounting experts, most of whom are CPA professionals. Together they conduct credible value-for-money and financial audits of the provincial government.

“This isn’t the first time the Liberal government has attempted desperate and costly manoeuvres to manage the province’s finances. Just this week we learned the Wynne government has failed to table its quarterly financial statement, which is required by law.

“Time and time again, the Wynne government makes decisions that unleash a torrent of doubts and criticisms, and that give the public serious concern they have something to hide.

“After all, who would you trust – a hastily assembled panel paid $435,000 by the Wynne Liberals to dispute the Auditor General, or the independent Auditor General?”

The government has responded with:

Press Office @LibPressSec
1m
. @MacLeodLisa u were offered a briefing by phone & email at both your QP & constit office - no response. I guess facts don't matter to u?

From: Bigley, Jane (TBS)
Sent: February 16, 2017 2:50 PM
To: @TBS-L-Issues and Media; Balgobin, Sueanne (TBS); Cabell, Jonathan (TBS); Cusumano, Josephine (TBS); Eastwood, Alexander (TBS); MacIntyre, Kyle (TBS); Nelson, Dane (TBS); Simone, Nicole (TBS); Ostergard, Matt (TBS); Prins, Sebastian (TBS); Tedesco, Lauren (TBS)
Cc: Hosick, Sarah (TBS); Ovenden, Erin (TBS); Laughton, Patrick (TBS); Spadoni, Peter (MOF); Pichette, Marc (MOF); Blodgett, Scott (MOF)
Subject: Update Media scan - Ontario Auditor General questions panel's assets ruling (CP in Toronto Sun)

Ontario auditor general questions panel's assets ruling

THE CANADIAN PRESS 2: 35 PM

FIRST POSTED: THURSDAY, FEBRUARY 16, 2017 02:20 PM EST | UPDATED: THURSDAY, FEBRUARY 16, 2017 02:24 PM EST

TORONTO - Ontario’s auditor general is not satisfied after an expert panel sided with the Liberal government in a $10.7-billion accounting dispute.

The auditor and the government disagree over whether a $10.7-billion surplus in two jointly sponsored pension plans should appear as an asset on the government's books.

Auditor general Bonnie Lysyk says that because the government doesn't have the right to unilaterally access that surplus, it shouldn't count as an asset.

But an expert panel this week said that it is an asset because it has a future economic benefit, since the government could reduce contributions and would therefore have additional funds to spend elsewhere.

But Lysyk says in order for her to issue a clean audit opinion, she wants to see a letter from the unions representing workers covered by the plans saying the province can use that money.

The government says joint pension agreements already spell out how surpluses are to be handled and no additional letter is needed.

From: Bigley, Jane (TBS)
Sent: February-16-17 12:24 PM
To: Balgobin, Sueanne (TBS); Cabell, Jonathan (TBS); Cusumano, Josephine (TBS); Eastwood, Alexander (TBS); MacIntyre, Kyle (TBS); Nelson, Dane (TBS); Simone, Nicole (TBS)
Subject: FW: FYI - Minister Sandals' statement on the government's acceptance of the Independent Expert Panel's Pension Report sent to the Gallery.

FYI ---

From: Bigley, Jane (TBS)
Sent: February-16-17 12:21 PM
To: Laughton, Patrick (TBS); Blodgett, Scott (MOF); Hosick, Sarah (TBS); Spadoni, Peter (MOF); Ovenden, Erin (TBS); Pichette, Marc (MOF)
Cc: @TBS-L-Issues and Media
Subject: FYI - Minister Sandals' statement on the government's acceptance of the Independent Expert Panel's Pension Report sent to the Gallery.

The following statement was sent to the Gallery before noon today:

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: Bigley, Jane (TBS)
Sent: February-16-17 11:33 AM
To: @TBS-L-Issues and Media; Balgobin, Sueanne (TBS); Cabell, Jonathan (TBS); Cusumano, Josephine (TBS); Eastwood, Alexander (TBS); MacIntyre, Kyle (TBS); Nelson, Dane (TBS); Simone, Nicole (TBS); Ostergard, Matt (TBS); Prins, Sebastian (TBS); Tedesco, Lauren (TBS)
Cc: Laughton, Patrick (TBS); Hosick, Sarah (TBS); Spadoni, Peter (MOF); Ovenden, Erin (TBS); Pichette, Marc (MOF); Blodgett, Scott (MOF)
Subject: FYI - Auditor refuses to back down in $10.7B pension feud (TOR Star)

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 11:25 am 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: Bigley, Jane (TBS)
Sent: February-16-17 11:29 AM
To: @TBS-L-Issues and Media; Balgobin, Sueanne (TBS); Cabell, Jonathan (TBS); Cusumano, Josephine (TBS); Eastwood, Alexander (TBS); MacIntyre, Kyle (TBS); Nelson, Dane (TBS); Simone, Nicole (TBS); Ostergard, Matt (TBS); Prins, Sebastian (TBS); Tedesco, Lauren (TBS)
Cc: Laughton, Patrick (TBS); Hosick, Sarah (TBS); Spadoni, Peter (MOF); Ovenden, Erin (TBS); Pichette, Marc (MOF); Blodgett, Scott (MOF)
Subject: Media Summary of Auditor General's comments on Pensions Asset Advisory Panel report

MEDIA STUDIO PRESS CONFERENCE
Thursday, February 16, 2017
TIME: 10:00 a.m.

SUBJECT: Auditor General of Ontario comments on the Government's Pension Asset Advisory Panel report regarding two
of Ontario's jointly sponsored pension plans.

MEDIA IN ATTENDANCE:
Benzie – TorStar; Nanji – QP Briefing; Bliss – CTV; Crawley – CBC; Martin Regg Cohn – Star; and 3 others.

SUMMARY:

Auditor General Bonnie Lysyk says her office is an independent non–partisan office of the legislature. This gives that office a vital safeguard to be independent of the government and its administration. She stressed it is her job in that office to give a fair opinion.

Their position is that in order to receive a clean audit opinion a signed agreement between the parties to the jointly-sponsored pension plans is required. The province needs to get written permission from OPSEU and the Ontario Teacher's Pension to use that $10.7 B surplus. She says her office has not received that evidence yet. The AG wants to see written permission from the joint sponsors that says the province can count its share of the surplus on the balance sheet.
The AG stresses two signatures are needed to get her office 's approval and she is unable to give a clean audit opinion until she sees such a letter.
"It's like a joint bank account that requires two signatures on every cheque. That's what we've been saying and we're pleased to see the Panel saying the same thing."

The AG says the big player here is the Ontario Teachers Federation because their plan makes up $10.1B of the $10.7B at issue.

Lysyk also mentioned that both New Brunswick and British Columbia are both following her accounting perspective. She says: “Show me the money”, “show me the letter that says you can use the money”.,

(Attached is the AG news release and fact sheet. Full transcript will follow in second email. IMMR will continue to follow media throughout the day.)

Questions and Answers:

Key issues:

Can the govt raid the pension plan kitty? (this was asked multiple times from various media outlets)
Answer: AG kept saying that’s up to the government how they use that money. You should ask the government.
But she did repeat the money can only be considered an asset if a letter of agreement is signed by the OTP and OPSEU to the government. We need evidence of the partnership agreement.

Benzie – what happens next if you get the letter or you don’t get the letter?
Answer: If we don’t get the letter our position is the same. We need proof. End of the day we want the statements to reflect accounting principles.
All we need is a letter to prove government has an asset on its book today.
The AG said if the government is not able to produce a letter that she would issue a qualified opinion.

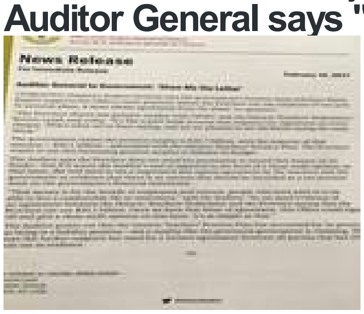
Twitter Reaction:

10:40 Mike Crawley @CBCQueensPark
Auditor General Bonnie Lysyk answers $10.7B question: govt can't count joint pension surpluses against bottom line

10;37 Sabrina Nanji @sabrinananji
Ooh Auditor General says her office is working on a pre election report

10:11 am Sabrina Nanji @sabrinananji **AG says the big player in this drama is the Ontario Teachers Federation, because their plan makes up $10.1B of the $10.7B at issue**

10:03 am S abrina Nanji @sabrinananji
Auditor General says "show me the letter" **# onpoli**



10:02 Robert Benzie @robertbenzie

BREAKING: @OntarioAuditor refuses to accept expert panel's conclusion $10.7B in pension surpluses a govt asset.