Fw: PENSION PANEL - QP Briefing - More flexibility to balance budget if pension accounting panel sides with government - FAO says

From: "Schuurman, Tim (MOF)" <tim.schuurman@ontario.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>, "Hughes, Karen (TBS)" <karen.hughes@ontario.ca>
Date: Tue, 07 Feb 2017 18:31:47 -0500

I mentioned to Scott that we could potentially bring the FAO into the tent as a service to them - in the interest of maintaining a relationship. We could bring them in to read the report as well. Scott was ok with that but said it's really a tbs call.

Think about it and let me know. I'm happy to help broker anything.

Tim

From: McLean, David (MOF) <David.McLean@ontario.ca>
Sent: Tuesday, February 7, 2017 6:00 PM
To: Schuurman, Tim (MOF); Thompson, Scott (MOF)
Subject: FW: PENSION PANEL - QP Briefing - More flexibility to balance budget if pension accounting panel sides with government - FAO says

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FYI

From: MacIntyre, Kyle (TBS)
Sent: February 7, 2017 5:59 PM
To: McLean, David (MOF)
Subject: FW: PENSION PANEL - QP Briefing - More flexibility to balance budget if pension accounting panel sides with government - FAO says

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From: Cairns, Alan (TBS)
Sent: February-07-17 5:49 PM
To: Tedesco, Lauren (TBS); Ostergard, Matt (TBS); Prins, Sebastian (TBS)
Cc: @TBS-L-Issues and Media; MacIntyre, Kyle (TBS); Simone, Nicole (TBS); Balgobin, Sueanne (TBS); Nelson, Dane (TBS); Cusumano, Josephine (TBS); Cabell, Jonathan (TBS); Laughton, Patrick (TBS); Hosick, Sarah (TBS)
Subject: PENSION PANEL - QP Briefing - More flexibility to balance budget if pension accounting panel sides with government - FAO says

February 7, 2017

'More flexibility' to balance budget if pension accounting panel sides with government, FAO says

By Sabrina Nanji

The Toronto Star reports the panel studying an accounting spat with the Auditor General is expected to rule in the government's favour.

Should the panel studying a pension accounting clash with the auditor general conclude that billions of dollars worth of pension assets should be counted on Ontario's balance sheet after all, the government will get more flexibility to balance the budget as promised, the Financial Accountability Office says.

The accounting spat came to a head late last year when the government sought an independent reviewer[1] to help clarify a measure that adds or subtracts $10.7 billion to the province's net debt and $1.5 billion to the 2015-16 deficit, depending on your vantage point. In AG **Bonnie Lysyk**'s opinion, two jointly-sponsored pension funds worth $10.7 billion should not be included on the financial statements, as the government has done for years, because the funds aren't accessible.

Multiple sources reportedly told *Toronto Star* columnist[2] **Martin Regg Cohn** that the Pension Asset Expert Advisory Panel has made its decision and sided with the government.

David West, the FAO's chief economist, said he had not heard about any conclusions from the panel but noted that if they have decided to count the pension assets, it gives the government more breathing room to achieve balance, as promised.

The FAO's economic outlook last fall proffered two economic scenarios, with and without the pension assets. With the AG's opinion, the deficit for 2016-17 was an estimated $5.2 billion and $2.6 billion in 2017-18.

The government's Fall Economic Statement that came shortly after and projected the deficit for 2016-17 at $4.3 billion, and with the AG's opinion, the impact amounts to $2.2 billion to the deficit in 2016-17, $2.8 billion in 2017-18 and $3.7 billion in 2018-19. In spite of this, the Liberals say they'll balance the budget in 2017-18 and 2018-19.

"If it turns out that the government can indeed claim the assets of the [pension plan] then this increased expense wouldn't appear on their books, so the deficit would approve by those amounts. [Our] conclusions are pretty much the same. Based on our projections, we would anticipate the government having a small deficit in 17-18, but as we acknowledged, there's enough flexibility in the government's plans and even more flexibility is available to them when the number is smaller, but they could schedule the timing of asset sales or restrain program spending on a temporary basis in the year. So they are even more likely to achieve a balance in 17-18 if they don't have to claim the $2.2 billion in additional expense that they would have under the AG's recommended accounting treatment," West said.

West declined to weigh in on whether he thought the pension assets should be counted on the books, or if he thought the AG is being political or the government undermining. He did concede that the accounting clash has not made the job of the financial accountability office easier.

Last fall, the government tabled the public accounts later than expected with the auditor's opinion, despite disagreeing with it, which required a temporary regulation.

Because the panel's report isn't public yet, Lysyk declined to confirm or comment directly.

"I really don't have any comment. I guess I just want to respect the process, and I think that process is there is no report that's been released," Lysyk told *QP Briefing* Tuesday.

However, Lysyk's comments last fall seemed to suggest she was digging in her heels and would not be swayed from her original opinion.

"I as well have external advice that I seek prior to addressing a significant issue, so I'm really confident that we've done our homework and that we have it right," Lysyk said at Queen's Park in October. "I have no vested interest in the outcome of this other than making sure it's right in accordance with public sector accounting standards ... at this point I'm pretty confident that we got it right."

Premier **Kathleen Wynne** gave little away when pressed at an unrelated news conference Tuesday morning, pointing out that the government's panel were experts with "vast experience in this area," and then proceeded to name each expert and their qualifications. ("I anticipated this question," Wynne quipped after pulling prepared notes from the stack in front of her.)

"What we have to do as government is get the best advice that we can...We asked an objective independent panel to weigh in on this and give us advice, and we're going to take that independent advice very, very seriously," Wynne said.

Panel members include **Murray Gold**, **Uros Karadzic**, and **Paul Martin** (not the former prime minister)**,** who were paid a $1,900 per diem, and the chair of the Canadian Actuarial Standards Oversight Council, **Tricia O'Malley,** who earned $2,000 a day.

References

1. 1. www.qpbriefing.com/2016/10/04/liberals-flayed-over-accounting-clash-with-auditor-general
2. 2. https://www.thestar.com/news/queenspark/2017/02/07/the-fight-for-ontarios-disappearing-11-billion-cohn.html