TBS

Office of Provincial Controller

Pension Asset Expert Advisory Panel – Update

December 19, 2016

Objective

- To provide an update on the status of the Pension Asset Expert Advisory Panel (the 'Panel'), as it works to provide advice and recommendations to the government on the application of public sector accounting standards to Ontario's net pension assets.
- To discuss report delivery timing and communication release strategy

General Overview

- In connection with the preparation and audit of the 2015-16 Public Accounts, the Office of the Auditor General and the government's professional accounting staff disagreed regarding the application of Public Sector Accounting Standards (PSAS) to pension assets related to two pension plans that the Province jointly sponsors – Ontario Teachers' Pension Plan (OTPP) and Ontario Public Service Employees' Union Pension Plan (OPSEUPP).

- The expert panel was established as a short-term advisory body to review the application of the Public Sector Accounting Standards (PSAS) to accounting for pension assets and provide advice to government.

- On November 10, 2016, the Province announced the appointment of four members to the Panel (See Appendix A).

- The Panel held four all-day meetings: November 18, December 5, December 12, and December 13.

General Overview

- The following briefings were provided to the Panel to assist in their analysis:
  - OPCD accounting position papers;
  - Deloitte opinion on the appropriate application of certain aspects of Canadian public sector accounting standards to the recognition of the accrued benefit asset related to OTPP;
  - Ministry of Education overview of the Ontario Teachers' Pension Plan;
  - Communications media protocol; and
  - 2016 Annual Auditor General's report Chapter 2 (Public Accounts of the Province) & Chapter 4 (Accounting Treatment of Pension Funds)

Discussions

- The Panel discussed the two main pension issues: can a pension asset be recognized and, if so how should they be measured.
- Recognition Issue:
  - Discussed the accounting definitions of “asset” and “control”
  - Discussed the differences between the BC, NB, and Ontario plans specifically regarding “control”.
  - Discussed the Auditor General’s perspective on the issue.
  - Reviewed the various pension plan agreements to determine if the Province had a right to assess the surplus.
- Measurement Issue:
  - Discussed that the measurement guidance in the accounting standards, if a pension asset is recognized.

Report

- A report writer is assisting the panel in drafting the report. No other support was requested by the Panel.
- The report will consist of: an executive summary (approximately 3 – 4 pages) and a detailed analysis of the accounting issue with conclusions and recommendations of each item within the Terms of Reference (see Appendix B).
- The report will focus on the OTPP and OPSEUPP as the plans are currently in a surplus position and have a material impact on the Province’s consolidated financial statements. A supplement to the report will be issued on the Health Care of Ontario Pension Plan (HOOPP) and College of Applied Arts and Technology Pension Plan (CAATPP) which are forecast to be in a surplus position in 2017/18 and 2016/17 respectively.

Communications Strategy

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- **COMMUNICATIONS TO PROVIDE A COUPLE OF SLIDES TOMORROW. AWAITING DIRECTOR APPROVAL**
- TBS Communications reviewed the Media Protocol with the Panel – all media requests are directed to the Chair who is the official spokesperson for the Panel and supported by Communications as needed. The Chair will respond to questions directly related to the work of the Panel. All other questions are directed to TBS Communications.
- TBS Communications provided advice on the format, accessibility and translation requirements, as well as on ensuring the report is in "everyday language".
- Release strategy is under development.

Timelines

- December 16th – the Panel met with the Auditor General in order to discuss her position on the pension issue.
- December 19th – the Panel will submit their comments to the report writer on the 2nd draft of the outline.
- December 30th or 31st – the report writer will send the 1st draft of the final report to the Panel for review and comments.
- January 8th – The Panel will submit their comments to the report writer for consolidation.
- January 9th – Chair to brief OPCD, Associate Deputy Ministry of TBS, and Deputy Ministers of TBS and MOF
- January 10th – the report writer will send 2nd draft of the final report to the Panel for review and a meeting on January 11th will be held to discuss any outstanding questions.
- January 11th – the Chair will start drafting of the Executive Summary
- January 16th – Completion of final report

Appendix A – Panel Members

- Patricia O'Malley (Chair) – Chair of the Canadian Actuarial Standards Oversight Council, member of the Canadian Accounting Standards Oversight Council, Chair of the Canadian Accounting Standards Board and Chaired the International Forum of Accounting Standard Setters;
- Paul Martin – Comptroller with the Government of New Brunswick and previously a partner with the national accounting firm of Grant Thornton LLP;
- Uros Karadzic – Partner at EY's People Advisory Services Reward practice, which includes pension, benefit and compensation consulting; and
- Murray Gold – Leading practitioner and senior pension and benefits partner at Koskie Minsky LLP.

Appendix B – Terms of Reference (Scope)

- The requirement regarding control with respect to recognizing a pension asset for a joint defined benefit plan
- The requirement regarding control with respect to recognizing a pension asset for other pension plans
- Appropriate valuation techniques to measure a pension asset that take into consideration future decision making authority by plan sponsors
- Recommendations to the Employee Future Benefits Task Force of the Public Sector Accounting Board regarding issues that should be considered in its review of the retirement and post-employment benefits standards.