Pension Asset Expert Advisory Panel

Supplementary Media Qs&As (February 16, 2017)

1. **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?**

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

   According to the AG'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 AG'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 AG's interpretation.

2. **In the Ontario Teacher's Pension Plan Annual Report, CEO Ron Mock states that there are "flashing yellow caution signals". The Auditor General says the Ontario Teacher's Pension Plan financial statements show a liability position. So why is Ontario counting the Ontario Teachers' Pension Plans as a surplus?**

Since 2001, the Province has reported a pension expense in each year from the Ontario Teacher's Pension Plan.

However, the province has reported a net pension asset of the Ontario Teachers' Pension Plan each year since fiscal 2001-2002. The net pension asset is impacted each year by both the Province's contributions to the plan, the income or expense in the plan, and the benefits provided under the plan.

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

   The accounting surplus reported on the Province's books has been calculated in accordance with public sector accounting standards. The Province has consistently communicated that it does not intend or have the ability to withdraw assets from either the Ontario Teachers' Pension Plan or the Ontario Public Service Employees' Pension Plan.

**Commented [NP1]:** Question has to be clarified/context added to ensure that the response is appropriate. What are the yellow caution signals related to?

**Commented [CV2]:** Suggest removing the first sentence – this is related to comparing past plan performance to the future as well as demographics

**Commented [CV3]:** Doesn't answer the question – please discuss the difference in frameworks, the funding surplus and the comments made by Trisha re: the differences

Under public sector accounting 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.  As stated in the past, this can only be done 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.

**4. 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 Expert Advisory Panel has specifically addressed this matter in their report and advised that the constating documents for pension plans in other provinces are different than those of Ontario, therefore caution should be exercised when trying to compare accounting among the jurisdictions, or others.

**5. What happens next?**

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 Sector 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.