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 a public asset for accounting purposes?**

   This was one of the central issues on which the panel was asked to provide advice and recommendations to the government. 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. The contractual arrangements for the Ontario Teachers' Pension Plan and the Ontario Public Service Employees' Pension Plan set out how that shared control is exercised, including how surpluses and deficits are dealt with.

   They panel 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.

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 and the income or expense in 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 province 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.

   The only potential use for this money other than providing pensions is to potentially reduce member contributions for a period of time – what is known as a pension contribution holiday. However, 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.

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

No other province has similar governance frameworks for their jointly-sponsored pension plans that are in a surplus position.

Commented [EKO1]: Pulled from Public Accounts media Qs

<u>British Columbia</u>

Pension assets for BC's jointly sponsored pension plans are not reported on British Columbia's consolidated financial statements. The governance framework in BC is different than Ontario's and would appear to justify different accounting treatment under PSAB standards.

Specifically, the Boards of Trustees of the BC Plans, unlike their Ontario counterparts, are permitted to use ongoing surpluses through the amendment of the Plan rules governing contributions and benefits, so long as the amendment of the Plan rules:

- Does not result in an increased contribution rate for employees or employers
- Does not create or increase an unfunded liability in the Plan, and
- Is otherwise compliant with applicable legislation and the Trustees' fiduciary obligations.

<u>New Brunswick</u>

As we understand it, New Brunswick converted four of its pension plans into what it refers to as target plans.

In the prior year, New Brunswick accounted for these plans as defined contribution plans, meaning it expensed the contributions to the plan and did not reflect its share of the net asset or net liability of the plan in its financial statements. The Auditor General of New Brunswick issued a qualified opinion on those financial statements.

In the 2015-16 fiscal year, New Brunswick changed its accounting for those plans to account for them as defined benefit plans and the Auditor General of New Brunswick issued a clean opinion.

Ontario has always accounted for its share of its jointly sponsored plans as defined benefit plans.

5. What happens next?

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. It 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.

Ontario 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. It had also been accepted by 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.