Pension Asset Expert Advisory Panel Report
Communications

Briefing for DM Betzner
Wednesday, February 1, 2017

Confidential Advice to Cabinet

Background

- In preparing the 2015-16 Public Accounts, professional accounting staff and the Auditor General's Office discussed appropriate application of Public Sector Accounting Board (PSAB) standards regarding pension accounting for Ontario's jointly-sponsored pension plans:
  - Ontario Teachers' Pension Plan (OTPP)
  - Ontario Public Sector Employees' Union Pension Plan (OPSEUPP)

- On Nov. 10, 2016, the government formed the Pension Asset Expert Advisory Panel. Members have expertise in jointly-sponsored pension plans, actuarial modelling for pension plans, and Public Sector Accounting Standards. (moved)

- Mandate to deliver recommendations on how public sector accounting standards should be interpreted as they apply to the Province's jointly-sponsored pension assets.
- The Panel final recommendations on OPSEUPP and OTPP align with the Province's accounting position – the Province should report its share of the net pension assets of the two pension plans.
- The Province will accept the Panel's recommendations in future financial reports.
- In the coming weeks, the Panel will issue a supplemental report on how pension assets should be recognized in the Healthcare of Ontario Pension Plan (HOOPP) and the Colleges of Applied Arts and Technology Pension Plan (CAAT). These latter plans are not jointly sponsored and the potential impact is not as material.

Strategic Approach

- Communications approach and messaging will remain **neutral** and **factual**, balancing the need for the gov't to state its position, while demonstrating respect for all parties involved (accounting standard setters, Auditor General, pension plans).

- Communications plan, tactics and messaging to remain **flexible** and **adjustable** based on advice and coordination with Ministry of Finance (e.g. Q3 report, long -term fiscal report).

- Tactics and messaging will be **reassessed**, as needed, to respond to **Auditor General's position** (if known). Chair briefing to AG planned for February 3.

Key Messages

- We thank the Pension Asset Expert Advisory Panel for their work on this complex and material issue.

- We are pleased that the independent panel's results are consistent with Ontario's view that net pension assets for jointly-sponsored plans are assets and should continue to be recognized in the Province's financial statements, as they had been for the past 14 years prior to 2015-16.

- The Province is accepting all of the panel's recommendations and will prepare its future financial statements based on this advice.

- By applying the Panel's advice to the Province's 2015-16 finances, Ontario's deficit has been lowered to $3.5B, from the $5B originally reported in the 2015-16 Public Accounts under regulated accounting which reflected the AG's position.

- The Panel's advice will also help inform upcoming discussions with the Auditor General in the hopes of reaching agreement on how the accounting standard is applied to future financial statements.

- The Province remains committed to balancing the budget by 2017-18, and remaining balanced in 2018-19.

Announcement Options

Timing:

- Currently tracking for announcement **Monday, Feb. 13**
- If paper-only, report ready by **Thursday, Feb. 2 (meeting with AG Feb 3 – can't be released prior?)**

Rollout options:

- Press conference (Ministers Sandals & Sousa)
- Paper release and media availability
- Bundle with release of MOF Q3 report

Top Issues

Audience	Areas of concern
Media & Opposition	• Dispute between AG and Province • Perception Ontario bought opinion it wanted • Non-binding recommendations • Creative accounting • Impact on path to balance
Auditor General	• Disagreement with Panel's position (TBC) • OAG sought independent opinions • Concern Province undermining OAG authority • Impact on future audit opinions
Stakeholders (FAO, credit rating agencies, public, PSAB, pension plans, etc.)	• Impact on path to balance • Uncertainty re. Ontario's fiscal situation • Future borrowing ability • Re-stating Public Accounts (confusion) • PSAB Standards project on pensions • Appropriateness of OTPP surplus calc

Next Steps

- Confirm timing & rollout
- Continue communications product approvals:
  - News release
  - Minister’s statement
  - Qs&As
- Continue report prep (HTML conversion, translation)
- Reassess tactics and messaging, as needed, to respond to AG’s position (if known)