November XX , 2016

To: Karen Hughes
Associate Deputy Minister, Treasury Board Secretariat

Subject: Statement of Work for Management Consulting Services – Pension Asset Expert Advisory Panel

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On October 5, 2016 Treasury Board/Management Board of Cabinet (TB/MBC) approved the draft Terms of Reference for the Pension Asset Expert Advisory Panel (the 'Panel') to review the application of the Public Sector Accounting Standards (PSAS) to accounting for pension assets on the Province's consolidated financial statements, and to provide advice to government.

It is expected that the Panel will commence its review shortly after appointment of its members and that it will be supported by staff in Treasury Board Secretariat.

It is contemplated that the Panel will want to engage the services of a management consultant to assist with documentation of their discussions, analysis and recommendations. To optimize the value the consultant would add to the Panel, the consultant should have a strong knowledge of public sector accounting standards and background on the province's significant joint defined pension plans, and have experience on synthesizing substantial, complex information into a concise, reader-friendly product.

In light of the time constraints associated with the Panel's deliberations of the pension issue(s), and the sensitive nature of the matters to be discussed, this briefing note is intended to facilitate a timely engagement of a consultant by the Panel, should it decide to engage a consultant in the above-noted capacity. For further clarity, the work of the Panel will be undertaken to address a significant and high-profile accounting issue raised by the Auditor General during the 2015-16 Public Accounts audit. The issue received significant media attention, and the attention of the opposition and other stakeholders. The outcome of the Panel's deliberations could significantly impact the Province's future fiscal plans and credit rating. The nature of information to be reviewed by Panel is both technical and substantive in nature in that key assumptions and terms of the negotiated pension plans will be subject to sharing and discussion with the Panel. This engagement could also require the consultant to liaise directly with members of the respective Pension Administrators or Boards. A strong knowledge and background in the pertinent accounting standards and terms of the plans will be beneficial to ensure that such discussions are appropriately scoped and professionally conducted so as not to reveal any sensitive information regarding the Panel's work.

…/2

The nature of services to be provided by the consultant could include written analysis, as well as in person participation in dialogues with the Panel, including potential discussions with Treasury Board Secretariat, Ministry of Finance (e.g. ISPPD), line ministries (EDU, MGS, MOHLTC, TCU), and pension plans Administrators and/or Boards. Written deliverables may include a summary of the Panel's analysis and recommendations and/or a summary thereof.

Lucy Durocher of PricewaterhouseCoopers has been identified as the most appropriate option to provide the proposed scope of services to the Panel. Lucy's background and experience as a Strategic Advisor and Subject Matter Expert on PSAB and IFRS, as well as her background on the Province's accounting treatment for OTPP is ideally matched to the role of providing support to the Panel. The attachment to this memo includes additional background on Lucy's experience and qualifications.

Lucy's per diem rate is $2,827.50 which is competitively priced compared to senior service providers in other large public accounting firms.

Based on details disclosed in the Pension Asset Expert Advisory Panel Report Back to TB/MBC, members of the panel are expected to participate for an estimated 50 days' worth of effort. Applying the estimated time commitment to the consultant, an estimated SOW value of $141,375 is computed as applicable to the single source procurement.

A draft SOW is attached for review, which could be shared with PricewaterhouseCoopers LLP for review and finalization if the Panel does decide to proceed with engaging Lucy Durocher as a management consultant to assist in its efforts.

Commented [np1]: Draft to follow

Other service providers were considered but assessed as sub-optimal as they were not as fully aware of the specific pension-related accounting challenges to be assessed by the Panel which would have reduced their ability to support the Panel as effectively.

Given that Lucy Durocher is considered as an expert on public sector pension accounting standards and has demonstrated success in supporting OPCD on complex accounting matters including Cap and Trade and pensions, she is recommended as the best option to provide single source consulting services to the Panel. The following was identified as applicable under the procurement policy:

- Where goods, consulting or non-consulting services regarding matters of a confidential or privileged nature are to be purchased and the disclosure of those matters through a competitive procurement process could reasonably be expected to compromise government confidentiality, cause economic disruption or otherwise be contrary to the public interest. Formal approval for the engagement of Lucy Durocher will be sought once the Panel has deliberated and decided whether to proceed with engaging a consultant to assist with their work. As this would be a single source procurement, approvals will be required by the Honourable Liz Sandals, TBS President, and Helen Angus, the Deputy Minister of TBS.

…/3

In my capacity as Project Manager for the Panel, this memorandum is being submitted to request your approval to proceed with engaging Lucy Durocher, if so directed by the Pension Asset Expert Advisory Panel, and subject to the appropriate approvals being obtained.

Regards,

Nelson Tam

c. Sarah Hosick
Dena Bernard

With my signature, I give my authority to proceed with engaging Lucy Durocher of PricewaterhouseCoopers LLP for management consulting services for the Pension Asset Advisory Expert Panel, if such direction is obtained from the Panel.

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Karen Hughes
Associate Deputy Minister, Treasury Board Secretariat

Attachment

Lucy Durocher *is a Partner in the Assurance Group for PwC working specifically in the Accounting Consulting Services group. For the last 9 years Lucy has provided accounting advice internally to audit teams and directly to a wide range of clients on a variety of topics under Public Sector Accounting Standards (PSAS), IFRS, Accounting Standards for private enterprises and Accounting Standards for Not-for-Profit organizations, ensuring that clients apply the requirements of their accounting framework appropriately and effectively.*

Lucy *specializes in topics such as revenue recognition, non-financial liabilities, leases and employee benefits and provides support to clients operating in the public sector, real estate, asset management and energy sectors.*

Lucy has extensive experience consulting on the application of public sector accounting standards. Since 2012 she has assisted in the adoption of PSAS by several government NPOs including hospitals and municipal organizations. She regularly supports the PwC audit teams of the City of Toronto and its subsidiaries, the City of Sudbury, a number of Hospitals (Mount Sinai, Sunnybrook, St. Michael's, Women's college) and Infrastructure Ontario, answering questions regarding how to apply the guidance in PSAS to topics such as construction contracts and acquisition of assets, contaminated sites, government transfers, investments and financial statement presentation and disclosures. In addition to her public sector work, Lucy also consults on the application of IFRS to a broad range of public and private entities, specializing in complex real estate acquisitions and financings, revenue recognition and leases.

Lucy works to find accounting solutions that are both in scope of the guidance within the accounting framework and capture the accounting nature and substance, considering also the practical implementation of accounting policies, and the unique requirements of public sector entities in respect of accountability and transparency.

Lucy is a regular faculty member for CPA Canada's "In depth" course on Public Sector Accounting Standards. She also applies her expert knowledge of PSAS in responding to exposure drafts and other requests for comment on behalf of PwC. Lucy is currently a member of the PSAB Task force on "Employment Benefits". She sits on PwC's global working groups for "Revenue recognition" and "Leases".