Ontario

TREASURY BOARD / MANAGEMENT BOARD OF CABINET
REQUEST ASSESSMENT NOTE

Ministry:	Treasury Board Secretariat
Meeting Date:	November 1, 2016
Agenda Class:	Discussion
Last reviewed by: N/A	**Tracking to:** **November 16, 2016**

DRAFT – Subject to Change

SUBMISSION TITLE:	Pension Asset Expert Advisory Panel – Report back

I. DECISION BEFORE THE BOARD

Treasury Board Secretariat is reporting back to TB/MBC and seeking approval for remuneration of the Chair and members of the Pension Asset Expert Advisory Panel, as a short-term advisory body of three members, for a period not to extend beyond March 31, 2017, and for the Minister's Order establishing the Panel.

II. RECOMMENDATIONS:

• Approve a revision to the completion date for the panel to March 31, 2017.	*Approve*
• Approve the Minister's Order establishing the Panel as short-term advisory body of four Members including a Chair.	*Approve*
• Approve the rate of remuneration of $2,000 per diem to a maximum of $150,000 for the Chair and up to a maximum of *75* days.	*Approve*
• Approve the rate of remuneration for three members of $1,900 per diem to a maximum of $95,000 per member and up to a maximum of 50 days.	*Approve*
• Recommend to the Cabinet, the Order in Council for the remuneration of the Chair in the amount of $2,000 per diem and up to a maximum of 75 days and the members at a rate of $1,900, not to exceed $95,000 per appointee and up to a maximum of *50* days.	*Recommend*
• Note that the Ministry will manage costs from within its existing allocation.	*Note*

III. FINANCIAL SUMMARY

$ Millions	**2016-17**	**2017-18**	**2018-19**
Initiative cost requested	0.0	0.0	0.0
Initiative cost recommended	0.0	0.0	0.0
Recommended program base	0.0	0.0	0.0
Offset Recommended	0.0	0.0	0.0
Total Fiscal Impact	0.0	0.0	0.0

IV. Key Comments and Considerations

On October 5, 2016, TB/MBC approved the establishment of Pension Asset Expert Advisory Panel. The Ministry is reporting back to seek approval of the establishment instrument and the rates of remuneration for the Panel.

Treasury Board Secretariat is seeking TB/MBC approval to remunerate a Chair and up to 3 of additional members of the Pension Accounting Expert Panel. The Chair would be remunerated at a rate of $2,000 per diem to a maximum of $150,000 and up to 75 days. The members would be remunerated at a rate of $1,900 per diem to a maximum of $95,000 per appointee and up to 50 days. Under the Agencies and Appointments Directive (AAD), TB/MBC approval is required to remunerate appointees to the short-term advisory bodies.

All members will be appointed by the President of the Treasury Board through Minister's letters.

Independent Pension Asset Expert Panel Mandate

The Expert Panel's mandate is to deliver advice and recommendations to the government on the application of Public Sector Accounting Standards (PSAS) to the recognition and measurement of pension assets. The Expert Panel's advice and recommendations to the government will consider:

- 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 their review of the retirement and post-employment benefits standards.

A report to the President of Treasury Board is due by the end of 2016.

The Province will identify individuals to support the Panel and work collaboratively to provide information related to pension plans sponsored by the Province of Ontario.

Remuneration Alignment with Agencies and Appointments Directive (AAD)

The proposed rate of remuneration is required to compensate members according to their unique and specialized skills and expertise required to complete the work required of the Panel. The membership of the panel will include accounting, legal and pension experts in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards.

The Pension Asset Expert Advisory Panel would consist of members that bring a unique skillset and perspective required to provide advice to the government. The Chair is to receive a slightly higher per diem, as this person will likely have interactions with the media and must become fluent on all aspects that support the overall public report even though it combines multiple professional disciplines.

This per diem rate is comparable with one other short-term advisory body such as the Hydro One Governance and Expert Investment Advisory Committee, established in 2015. All committee members were remunerated at a rate of up to $2000 per diem.

Other Special Advisor comparable examples include individual advisors appointed for remuneration at comparable rates such as a special advisor on Income Security Reform for the Ministry of Community and Social Services, at $2000 per diem, and the Advisor on Auto Insurance and Pensions at a rate of $1975 per diem.

The request is consistent with the requirements for establishment and remuneration of short-term advisory bodies under the Agencies and Appointments Directive. The skills required fall into the "Special Advisors and Appointees to Short-Term Advisory Bodies" category.

Financial Implications

The total budget is estimated at $978,500, which is comprised of:

Proposed Budget

	#people	Per diem	# Days	Total Cost
Chair	1	2,000	75	$150,000
Members	3	1,900	50	285,000
				435,000
Travel Budget @10%				43,500
Procurement costs (incl. translation)				500,000
Total Budget for the Panel				$978,500

Within a budget approved by Treasury Board Secretariat, the Advisory Panel may receive such counsel, staff, or expertise considered necessary in the performance of its duties at reasonable remuneration approved by Treasury Board Secretariat. As was noted to TB/MBC on October 5, Panel Members shall be reimbursed for reasonable expenses incurred in connection with their duties in accordance with Treasury Board/Management Board of Cabinet Directives and Guidelines.

Any savings on per diem costs may be reallocated to procurement costs in the approved budget.

The panel's main deliverable is due by December 31, 2016 but the date is proposed to be extended to March 31, 2017 as a contingency. The budget shows that some of the work of the panel may still occur after December 31, 2016 and is included in the maximum budget.

The Advisory Panel must follow Treasury Board/Management Board of Cabinet Directives and Guidelines and other applicable government policies. Should such a circumstance arise that the Panel is not in a position to follow TB/MBC Directives and Guidelines, the Chair will consult with government representatives. TBS will follow TB/MBC Directives and Guidelines and other applicable government policies in obtaining other services and goods that the Expert Advisory Panel consider necessary in the performance of their duties, within the approved budget.

It is intended that the Expert Advisory Panel will commence its review immediately on appointment of its members. Creation of the panel is to be achieved by a Minister's Order, made by the President of the Treasury Board, pursuant to Section 6.1 of the *Ministry of Government Services Act*. The Minister's Order will set the termination date for the Panel's activities as March 31, 2017, enable the Minister to appoint 3 panel members and to designate one member as the chair, enable the Minister to approve the Terms of Reference (attached Appendix E), and require the Minister to seek LGIC approval for rates of remuneration.

Background

In connection with the preparation and audit of the 2015-16 Public Accounts, 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 and Ontario Public Service Employees' Union Pension Plan. The government passed a time-limited regulation to require the accounting for these pension assets align with the interpretation of the Auditor General. This time-limited regulation enabled the professional accounting staff to take responsibility for the preparation of the Public Accounts in accordance with legislation and PSAS.

The government released an annual report and unaudited financial statements on October 3, 2016, and concurrently announced that an expert panel would be formed to review the application of PSAS to these pension assets.

On October 5, 2016, the Auditor General issued a qualified report on the 2015-16 Public Accounts. While the 2015-16 results were accepted by the Auditor General, the audit opinion was qualified because the comparative financial balances were not restated for the prior year to write off the pension assets.

An Expert Panel is being established as a short-term advisory body, appointed by the President of the Treasury Board, to review the application of the PSAS to accounting for pension assets and provide advice to government. The final report will be submitted to the President of the Treasury Board and provided to the Auditor General of Ontario, and made public thereafter. The future accounting for the pension assets in the preparation of the Province's financial statements will be guided by the report of the panel.

Risks

Risk that they many need more time given when they will likely start. Ministry has stated that they have built in extra time until March 31, 2017 as a contingency following the proposed main deliverable (i.e. report to the President of the Treasury Board) on December 31, 2016.

Name of analyst:	Sharon Stuckless/ Wendy Smith	**Phone number:**	416-326-3340/ 416-325-1280
Date:	October 27, 2016	**Log number:**	
Branch / Division:	MBCSB, PEMD		

Appendix A: Proposed Minute (Under Development)

Further to the minute of October 5, 2016, which approved the establishment of an Pension Asset Expert Advisory Panel:

i) Approve a revision to the completion date for the panel to March 31, 2017.

ii) Approve the Minister's Order establishing the Panel as short-term advisory body with 4 Members including the Chair.

iii) Approve the rate of remuneration of $2,000 per diem to a maximum of $150,000 for the Chair and for up to 75 days.

iv) Approve the rate of remuneration for 3 members of $1,900 per diem to a maximum of $95,000 per member and up to 50 days.

v) Recommend to the Cabinet, the Order in Council for the remuneration of the Chair and the members in the amount of $2,000 per diem for the Chair and up to 75 days and to remunerate the Panel members at a rate of $1900, not to exceed $95,000 per appointee and up to 50 days.

APPENDIX B: DETAILED FINANCIAL IMPACTS

FINANCIAL IMPACTS: CHANGES TO EXPENSE AND REVENUE					TABLE B1
		Fiscal Plan Basis			Appropriations Basis
$ Millions		2015-16	2016-17	2017-18	2015-16
Initiative cost recommended		0.0000	0.0000	0.0000	
Expense changes:					
Operating item	Oper	0.0000	0.0000	0.0000	0.0000
Capital item	Cap	0.0000	0.0000	0.0000	00000
Revenue changes:					
Revenue increase/offset		0.0000	0.0000	0.0000	
Revenue decrease		0.0000	0.0000	0.0000	
Total Fiscal Impact (draw from c-funds)		**0.0000**	**0.0000**	**0.0000**	**0.0000**

APPENDIX C: DRAFT ESTABLISHMENT OIC

Treasury Board Secretariat

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Ontario

MINISTER'S ORDER

PURSUANT TO section 6.1 of the *Ministry of Government Services Act*,

Expert advisory panel established

1. The Pension Asset Expert Advisory Panel (the "Advisory Panel") is hereby established as a short-term advisory body, accountable to the President of the Treasury Board (the "Minister"), for a period not extending beyond March 31, 2017.

Terms of reference

2. The Minister shall determine the terms of reference of the Advisory Panel and may amend them from time to time.

Appointments

3. The Advisory Panel shall be comprised of up to ***3*** members appointed by the Minister, and the Minister may designate one member as the chair.

4. The members of the Advisory Panel, including the chair, shall serve at the Minister's pleasure for a period not extending beyond March 31, 2017.

Remuneration and expenses

5. The members of the Advisory Panel, including the chair, shall be paid such remuneration and expenses as the Lieutenant Governor in Council may determine.

Approved and
Ordered on ____________________

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Liz Sandals

President of the Treasury Board

APPENDIX D: DRAFT REMUNERATION OIC

Verified/ Authority Verified/Compétence vérifiée: ___________________________________

Please print name/Nom en lettres moulées s.v.p.: Paul G. Korn

Telephone/Téléphone: 416-325-9395

Recommended by the Treasury Board/Management Board of Cabinet on:
Recommandé par le Conseil du Trésor / Conseil de gestion du gouvernement le:

____

Secretary/Secrétaire: ___________________________________

Executive Council of Ontario/Conseil exécutif de l’Ontario **[Bilingual]**

Ontario

- **Order in Council**
- **Décret**

On the recommendation of the undersigned, the Lieutenant Governor of Ontario, by and with the advice and concurrence of the Executive Council of Ontario, orders that:

Sur la recommandation de la personne soussignée, la lieutenante-gouverneure de l’Ontario, sur l’avis et avec le consentement du Conseil exécutif de l’Ontario, décrète ce qui suit:

WHEREAS the President of the Treasury Board has established the Pension Asset Expert Advisory Panel (the “Advisory Panel”) by Minister’s Order made under section 6.1 of the *Ministry of Government Services Act*,;

THEREFORE, PURSUANT TO subsection 6.1 (2) of the *Ministry of Government Services Act*,

Chair’s remuneration

1. The Chair of the Advisory Panel shall be paid remuneration of ***$2000*** per day, up to a maximum of ***75*** days, such that the maximum payable is ***$150,000***.

Other members’ remuneration

2. The members of the Advisory Panel, other than the Chair, shall each be paid remuneration of ***$1900*** per day, up to a maximum of ***50*** days, such that the maximum payable is ***$95,000*** per member.

Expenses

3. In addition to the remuneration set out above, the members of the Advisory Panel, including the Chair, shall be reimbursed for reasonable expenses incurred in carrying out their duties on the Advisory Panel in accordance with the Management Board of Cabinet’s *Travel, Meal and Hospitality Expenses Directive*

APPENDIX E: TERMS OF REFERENCE

Pension Asset Expert Advisory Panel

A. Proposed Terms of Reference

Background

In connection with the preparation and audit of the 2015-16 Public Accounts, 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 and Ontario Public Service Employees' Union Pension Plan. The government passed a time-limited regulation to align the accounting for these pension assets with the interpretation of the Auditor General. This time-limited regulation enabled the professional accounting staff to take responsibility for the preparation of the Public Accounts in accordance with legislation and PSAS.

The government released an annual report and unaudited financial statements on October 3, 2016, and concurrently announced that an advisory panel would be formed to review the application of PSAS to these pension assets.

On October 5, 2016, the Auditor General issued a qualified report on the 2015-16 Public Accounts. While the 2015-16 results were accepted by the Auditor General, the audit opinion was qualified because the comparative financial balances were not restated for the prior year to write off the pension assets.

Governance

An advisory panel is established as a short-term advisory body appointed by the President of the Treasury Board to review the application of the PSAS to accounting for pension assets and provide advice to government. The final report will be submitted to the President of the Treasury Board and provided to the Auditor General of Ontario, and made public thereafter. The future accounting for the pension assets in the preparation of the Province's financial statements will be guided by the report of the panel.[1]

Mandate

The Expert Advisory Panel's mandate is to deliver advice and recommendations to the government on the application of PSAS to the recognition and measurement of pension assets. The Expert Advisory Panel's advice and recommendations to the government will consider:

- The requirement regarding control with respect to recognizing a pension asset for a joint defined benefit plan.

[1] The Public Sector Accounting Board established a task force to review the standards on pension plans. Should their review results in changes to the standards, these new standards would be applied by the Province.

- 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 their review of the retirement and post-employment benefits standards.

Timelines

A report to the President of the Treasury Board and the Auditor General of Ontario is due by the end of 2016.

Membership

The membership of the Panel will comprise accounting, legal, and pension experts in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards. All members will be appointed by the President of the Treasury Board.

The identified members should attend/participate in the meetings; no substitutes or alternates should attend in place of a member.

Support

The Province will identify individuals to support the Panel and work collaboratively to provide information related to the pension plans sponsored by the Province of Ontario.

Funding

The Province will be responsible for the costs of the appointed members to attend the meetings. The costs of any individuals supporting the work of the Panel will also be borne by the Province.