Outline of position paper

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<u>Background</u>
Summary of facts relevant to plan, incorporating:

Facts in Deloitte opinion
Facts in Oslers opinion
Facts in Koskie Minsky opinion

Summary of build-up of accounting asset since 2001-02, including components -- current service cost, interest on obligation, expected interest on assets; also include economic assumptions used each year and explanation of market related value impact (may need to include an explanation of the accounting for a JSPP)

Pauline has all of this information
Summary of the difference between OTPP's f/s, the funding valuation and the government's accounting
Commentary on discount rate differences, OTPP as an outlier re: use of corporate borrowing rate (Pauline has an analysis), and whether there is any interaction between the various valuations of the projected benefit obligation

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<td>Jim Keates with input from Pauline Fong</td>
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<u>Accounting Analysis</u>
<u>Question 1 – Recognition</u>
What standard governs the recognition of a pension asset?
Views
<ol type="a">
PS 3250

PS 3250 contemplates the existence of an asset, 50-59 are measurement standards which would only be needed if an asset exists
PS 3250 was developed based on the existing conceptual framework – e.g. developed in the context of the current definition of an asset

Go beyond 3250

Shared control
<ol type="i">
Used in definition of a joint defined benefit plan
Set up of criteria for government partnership has parallels to definition of joint defined benefit plan
Consider consultation with PSAB – what was considered when PS 3250 was developed (developed after government partnerships); what is meant by footnote 3 in PS 3060; if 3250 was meant to be excluded from 3060 why wasn't it listed as a scope exclusion [Note – Stephenie Fox at CPA Canada was the project manager on PS 3250]
Contrast the governance framework of the Ontario plans (OTTP and OPSEUPP) to the BC plans (Koskie Minsky) and NB plans

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Commented [np1]: Jim Keates with input from Pauline Fong

Commented [np2]: Lucy (PwC)

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Commented [np5]: Jim Keates

Outline of position paper

c. Go beyond 3250
   - Control
      i. One of the criteria to meet the definition of an asset
      ii. Does control have to be unilateral
      iii. What other assets are recognized based on an expected future benefit
         - Income taxes – don't control generating future income
         - Regulatory assets -- don't control decision of regulator
         - Others?
      iv. What does the profile of recognition look like if no asset is recognized until you have an agreement with the co-sponsor

d. Go beyond 3250
   - Contingent asset
      i. Assess definition and criteria of a contingent asset

Conclusion re: recognition

Question 2 – Measurement

Is uncertainty factored into the calculation or does uncertainty have to be eliminated to have a valuation allowance of less than the value of the asset?

a. Uncertainty is factored into the calculation
   - Number of factors articulated in Deloitte opinion to consider
      i. Structure of agreements re: shared decision making
      ii. History of decisions made
      iii. Impact of "share-the-pain" payments
      iv. CRA cap
      v. Impact of improving benefits vs. reducing contributions

b. Uncertainty has to be NIL to recognize an asset
   - Analogy to receivable
   - Assume contributions at the current level continue into perpetuity in the absence of another agreement with the co-sponsor
   - How does an asset get recognized under this model – e.g. what is impact on the model
   -

c. Other factors
   - Benefit realization (surplus withdrawal vs. contribution reductions vs. fungibility of compensation-related benefits
   - Impact of benefit improvement to use of surplus and obligation PV

Conclusion re: measurement

Need to ensure that all of AG's views are incorporated into the position paper,

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some of which may be in an appendix (e.g. the relevance/irrelevance of the difference between the rate OTPP uses in its f/s vs. the province – Pauline has a comparison for all of provinces demonstrating that the rate OTPP uses is an outlier)	
Fair Presentation Also – should profile the impact of the AG's memo in years of significant losses (e.g. unamortized actuarial losses can result in the reversal of part of the valuation allowance – see 2008-09 calcs from Pauline)	
Additional considerations: • Do we want to raise this issue to the PSADG? • How/when do we discuss with the PSAB task force	Lucy, as facilitator to keep log of possible items for discussion/submission

Commented [np12]: Pauline Fong

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