

Outline of position paper

Suggest write the paper for OTPP first, then decide on OPSEU or one of the MEPs (CAAT/HOOPP)

Background

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

Commented [np1]: Cindy,
Per Alex, they may also have different assumptions w.r.t. demographics. I think we need to review consistency of other assumptions as well for purposes of demonstrating quality of our actuarial analysis

Accounting Analysis

Question 1 – Recognition

What standard governs the recognition of a pension asset?

Views

- 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
- b. Go beyond 3250
 - Shared control
 - i. Used in definition of a joint defined benefit plan
 - ii. Set up of criteria for government partnership has parallels to definition of joint defined benefit plan
 - iii. 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

Outline of position paper

it listed as a scope exclusion [Note – Stephenie Fox at CPA Canada was the project manager on PS 3250]

- iv. Contrast the governance framework of the Ontario plans (OTTP and OPSEUPP) to the BC plans (Koskie Minsky) and NB plans
- 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
 - Assets (element test) – consider rate regulated accounting study
 - 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

Outline of position paper

- 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, some of which may be in an appendix (e.g. the relevance/irrelevance of the difference between the rate OTP uses in its f/s vs. the province – Pauline has a comparison for all of provinces demonstrating that the rate OTP uses is an outlier)

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