

## Social Benefits

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IPSASB Meeting

September 19-22, 2017

Toronto, Canada

# Due Process (Agenda Item 5.2.1)

## Due Process

### Development of Proposed International Standards

10. When the IPSASB staff is satisfied that it has a proposed draft international standard that is ready for exposure, the draft is presented to the IPSASB.
11. The IPSASB votes on the approval of an exposure draft of the proposed international standard in accordance with the IPSASB's terms of reference. In voting in favor of the release of an exposure draft, a member of the IPSASB is confirming that he or she is satisfied that the draft would form an acceptable international standard in the event that no comments were received on exposure that required the IPSASB to amend the proposals. (Ref: Para. A19)

## Working Procedures

### Development of Proposed International Standards

*Approval of Draft International Standard* (Ref: Para. 11)

- A19. The IPSASB votes to approve an exposure draft before publication. IPSASB members that vote against an exposure draft can request that their dissenting views be documented in the minutes to the meeting and can also request they are included as an alternative view.

# Development of Exposure Draft (Agenda Item 5.2.2)

## Sections of ED 63 Previously Considered by the IPSASB

- Shown shaded
- Changes in mark-up
- IPSASB asked to review on an exception basis

## New Sections of ED 63

- Review section by section

# Development of Exposure Draft: New Sections (1)

## (Agenda Item 5.2.2)

Page	Section of ED 63	Staff Comments
3-4	Specific Matters for Comment (SMCs)	The IPSASB is asked to consider the SMCs after agreeing the rest of the ED.
8	Footnote 1 (IFRS 17, Insurance Contracts)	Revised wording agreed with members.
9	Insurance approach disclosures	Based on nature of a social benefit scheme under the obligating event approach, excluding funding which is covered by IFRS 17.

# Development of Exposure Draft: New Sections (2)

## (Agenda Item 5.2.2)

Page	Section of ED 63	Staff Comments
9-11	Obligating event approach: recognition and measurement	Substantially the same as the proposals included in the June 2017 agenda papers. Revenue recognized under IPSAS 23, <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i> .
11-13	Obligating event approach: disclosures	The IPSASB is asked to consider these proposals as part of its discussions of the disclosure requirements
13	Transitional provisions	Provisions regarding disclosures may require amendment once disclosures agreed

# Development of Exposure Draft: New Sections (3) (Agenda Item 5.2.2)

Page	Section of ED 63	Staff Comments
18-19	Obligating event approach: Application Guidance on recognition and measurement	Guidance on the recognition and measurement requirements for liabilities and expenses arising from social benefit schemes.
25-27	Amendments to Other IPSAS – IPSAS 33	Revised drafting as no specific guidance on recognizing a liability for the first time is now required.
32	Basis for Conclusions: Non-Exchange Expenses Project	Explain the relationship between the ED and the Non-Exchange Expenses project, in particular the performance obligation approach.

# Development of Exposure Draft: New Sections (4) (Agenda Item 5.2.2)

Page	Section of ED 63	Staff Comments
40	Basis for Conclusions: approach to developing Exposure Draft 63	Explain the “handling approach” that the IPSASB has decided to follow in developing the ED.
40-41	Basis for Conclusions: obligating event – measurement and revenue	Reasons for deciding that social benefits should be measured using the cost of fulfillment measurement basis; Reasons for deciding that social contributions should be accounted for using IPSAS 23
41-42	Basis for Conclusions: obligating event approach – disclosure	Reasons for disclosures on nature of schemes and amounts in financial statements. Consider as part of the discussions of the disclosure requirements

# Development of Exposure Draft: New Sections (5) (Agenda Item 5.2.2)

Page	Section of ED 63	Staff Comments
43	Alternative View	Not agreed by dissenting members; to be added later.
45-47	Implementation Guidance: comparison with GFS	Explains which GFS classifications are covered by the ED. Some wording taken from the definitions in the CP.
47-48	Implementation Guidance: recognition and measurement	Answer some questions preparers may have regarding the recognition and measurement of social benefits under the obligating event approach.
49-62	Illustrative Examples	Examples cover scope; recognition and measurement; and disclosures. Consider disclosure examples in the disclosures discussion.

# Presentation: Conceptual Framework – Obligations (Agenda Item 5.2.3)

- A liability is a **present obligation** of the entity for an outflow of resources that results from a past event. (5.14)
- Public sector entities can have a number of obligations. A present obligation is a legally binding obligation (legal obligation) or non-legally binding obligation, which an entity has little or no realistic alternative to avoid. **Obligations are not present obligations unless they are binding and there is little or no realistic alternative to avoid an outflow of resources.** (5.15)
- The IPSASB has decided that no **present obligation** for social benefits exists until eligibility criteria are satisfied.

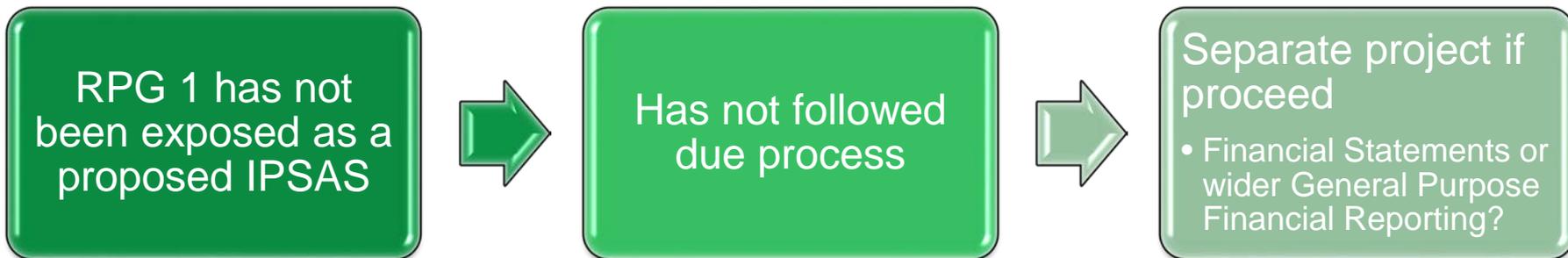
# Presentation: Conceptual Framework – User Needs (Agenda Item 5.2.3)

For accountability and decision-making purposes, service recipients and resource providers will need information that supports the assessments of such matters as:

- The performance of the entity during the reporting period
- The liquidity and solvency of the entity;
- The sustainability of the entity's service performance and other operations over the long term, and changes therein as a result of the activities of the entity during the reporting period
- The capacity of the entity to adapt to changing circumstances, whether changes in demographics or changes in domestic or global economic conditions which are likely to impact the nature or composition of the activities it undertakes and the services it provides. (2.11)

## What disclosures meet these needs?

# Presentation: Recommended Practice Guideline 1 (Agenda Item 5.2.3 Appendix A)



# Presentation: Disclosures by Type of Transaction (Agenda Item 5.2.3)

Category	Collective Goods & Services	Universally Accessible Services	Social Benefits	Employee Benefits	Contracts for Insurance
Examples	Defense Street lighting	Universal Healthcare Universal Education	State pensions Unemployment benefits Income support	Salaries Employee pensions (and healthcare)	Vehicle insurance Private medical insurance
Disclosure	To be decided – unlikely to include cash flows or present value of future services	To be decided – unlikely to include cash flows or present value of future services	To be decided – may include cash flows or present value of some future benefits	Present value of some future benefits (for example, defined benefit schemes)	Present value of future cash flows



# Presentation: Minimum Disclosures (Agenda Item 5.2.3)

## Characteristics of social benefit scheme

- **Characteristics**

- *Benefits provided - including number of beneficiaries?*
- *Legislative framework, including eligibility criteria*
- *Funding arrangements*

- **Description of risks to which the entity is exposed and how these are managed**

- **Description of any amendments to the scheme, and effects on future obligations**

## Amounts in the financial statements

- **Expenditure in year**

- **Liability at end of reporting period, reconciled to opening balance**

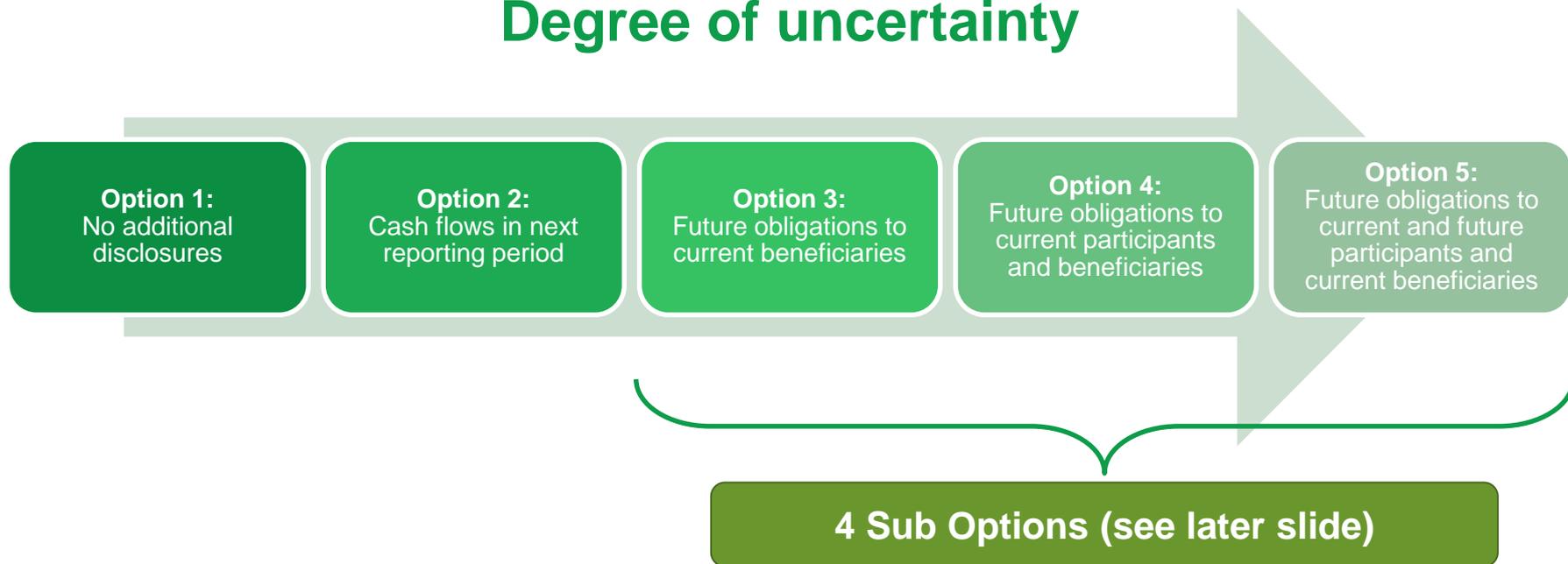
- *Obligations recognized in reporting period; Changes in estimates; Settled in period*

- **Key assumptions (including discount rate if relevant)**

- **Expenditure - include information for more than one prior period?**

# Presentation: Disclosure of Future Obligations (Agenda Item 5.2.3)

## Degree of uncertainty



# Additional Disclosures: Recommendation

Insufficient information to meet user needs

**Option 1:**   
No additional disclosures

**Option 2:**   
Cash flows in next reporting period (current beneficiaries)

**Option 3:**   
Future obligations to current beneficiaries

**Option 4:**   
Future obligations to current participants and beneficiaries

**Option 5:**   
Future obligations to current and future participants and current beneficiaries

Present obligation to current beneficiaries reported in Financial Statements

No present obligation to participants reported in Financial Statements.

# Sub Options

	Undiscounted Cash Flows	Present Value (Actuarial Valuations)
Disclose all Benefits Equally	Sub Option A	Sub Option B
Different Disclosures for Long-Term <sup>1</sup> and Short-Term <sup>2</sup> Benefits	Sub Option C	Sub Option D

<sup>1</sup> Long-term benefits are those where the only ongoing eligibility criterion is being alive

<sup>2</sup> Short-term benefits are those where there are ongoing eligibility criteria in addition to being alive

# Staff Recommendation

## Recommendation

- Option 3: Future obligations to current beneficiaries
- Sub Option D: Different disclosures for long-term and short-term benefits, with present value information shown

## Rationale

- Discloses future obligations from the point at which a liability is recognized
  - Options 4 and 5 include individuals to whom there is no present obligation – RPG 1 more appropriate
- Present value information more relevant, minimizes the length of disclosures
- Future cash flows of different benefits behave differently

# Approval of ED: Specific Matters for Comment (1) (Agenda Item 5.2.4)

Number	Specific Matter for Comment
1	<p>Do you agree with the scope of this Exposure Draft, and specifically the exclusion of universally accessible services for the reasons given in paragraph BC21(c)?</p> <p>If not, what changes to the scope would you make?</p>
2	<p>Do you agree with the definitions of social benefits, social risks and universally accessible services that are included in this Exposure Draft?</p> <p>If not, what changes to the definitions would you make?</p>

# Approval of ED: Specific Matters for Comment (2) (Agenda Item 5.2.4)

Number	Specific Matter for Comment
3	<p>Do you agree that, with respect to the insurance approach:</p> <ul style="list-style-type: none"><li data-bbox="330 467 821 511">(a) It should be optional;</li><li data-bbox="330 519 1715 612">(b) The criteria for determining whether the insurance approach may be applied are appropriate; and</li><li data-bbox="330 621 1846 820">(c) Directing preparers to follow the relevant international or national accounting standard dealing with insurance contracts (IFRS 17, Insurance Contracts and national standards that have adopted substantially the same principles as IFRS 17) is appropriate?</li></ul> <p>If not, how do you think the insurance approach should be applied?</p>

# Approval of ED: Specific Matters for Comment (3) (Agenda Item 5.2.4)

Number	Specific Matter for Comment
4	<p>Do you agree that, under the obligating event approach:</p> <ul style="list-style-type: none"><li data-bbox="330 465 1831 558">(a) The past event that gives rise to a liability is the satisfaction of all eligibility criteria for the provision of the next benefit by the beneficiary; and</li><li data-bbox="330 558 1831 661">(b) Being alive at the point at which the eligibility criteria are validated is an eligibility criterion, whether explicitly stated or implicit?</li></ul> <p>If not, what past event should give rise to a liability for a social benefit?</p>
5	<p>Do you agree with the disclosure requirements in this Exposure Draft?</p> <p>If not, what disclosure requirements should be included?</p>

# Approval of ED: Specific Matters for Comment (4)

## (Agenda Item 5.2.4)

Number	Specific Matter for Comment
6	<p>The IPSASB has acknowledged that that the financial statements cannot satisfy all users' information needs on social benefits, and that further information about the long-term fiscal sustainability of those schemes is required. RPG 1, Reporting on the Long Term Sustainability of an Entity's Finances, was developed to address this need for additional information. Following the publication of an IPSAS on Social Benefits and based on the current proposals for universally accessible services, the need for this information is likely to increase, and the IPSASB is considering undertaking a project to develop mandatory requirements for reporting on the long term sustainability of an entity's finances, based on RPG 1. Do you agree that such a project should be undertaken?</p>

# Approval of ED: Decisions Required

Does the IPSASB support the SMCs proposed by staff? If not, what SMCs should be included in the ED?



Are there any sections of the ED that the IPSASB considers need to be further reviewed?



The IPSASB is asked to approve ED 63.



The IPSASB is asked to decide the consultation period for ED 63.



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