



Social Benefits

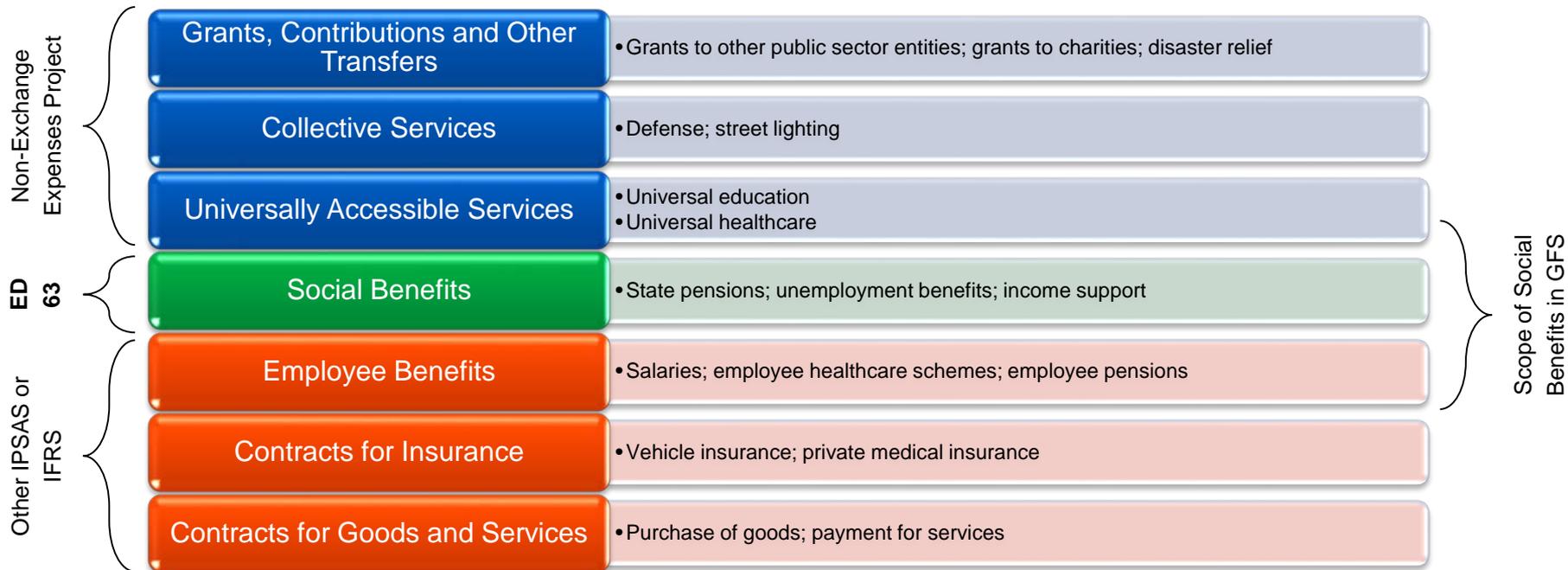
Paul Mason, Principal

IPSASB Meeting

March 6-9, 2018

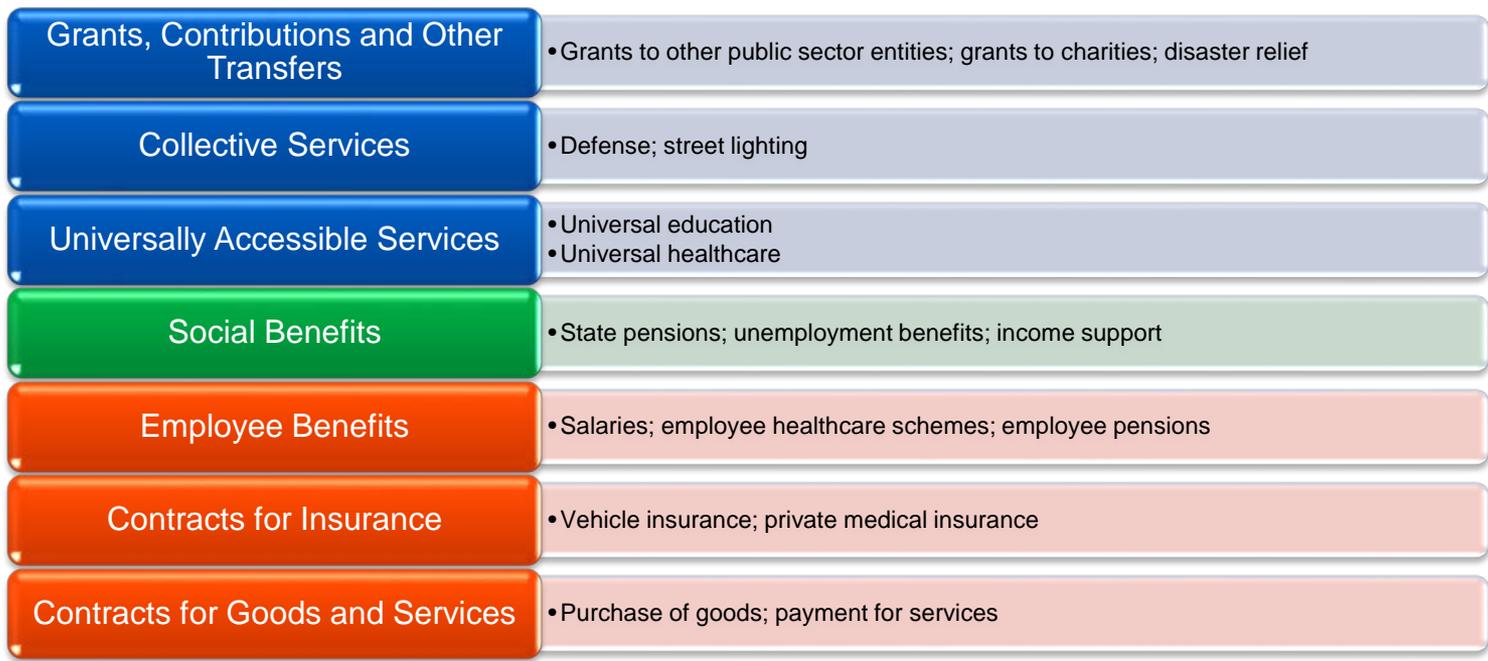
New York, USA

Scope



Scope

Boundary between ED 63 and Non-Exchange Expenses Project



Include in wider expenses project

Definitions

Social benefits are provided to:

- (a) Specific individuals and/or households who meet eligibility criteria;
- (b) Mitigate the effect of social risks; and
- (c) Address the needs of society as a whole; but
- (d) Are not universally accessible services.

Social risks are events or circumstances that:

- (a) Relate to the characteristics of individuals and/or households – for example, age, health, poverty and employment status; and
- (b) May adversely affect the welfare of individuals and/or households, either by imposing additional demands on their resources or by reducing their income.

Universally accessible services are those that are made available by a government entity for all individuals and/or households to access, and where eligibility criteria (if any) are not related to social risk.

Which Benefits are Social Benefits?

Type of Benefit	Social Benefit?	Reason
Retirement Benefits (Government Employees)	✗	<i>Does not address the needs of society as a whole.</i>
State Retirement Pensions	✓	<i>Paid to all those over a certain age as a means of ensuring those in need are covered.</i>
Universal Healthcare Services	✗ ?	<i>Meet the definition of universally accessible services.</i>
Disability Pensions	✓	<i>Meets the definition of a social benefit – addresses social risk, paid when criteria met.</i>
Unemployment Benefits	✓	<i>Meets the definition of a social benefit – addresses social risk, paid when criteria met.</i>
Disaster Relief	✗	<i>Mitigates the effects of a geographical risk rather than a social risk.</i>
Defense Services	✗	<i>Services are not provided to specific individuals but are collective services.</i>

Obligating Event Approach: Recognition Examples



Reaching retirement age

- Retirement pension



The death of a partner

- Survivor benefit



Becoming unemployed

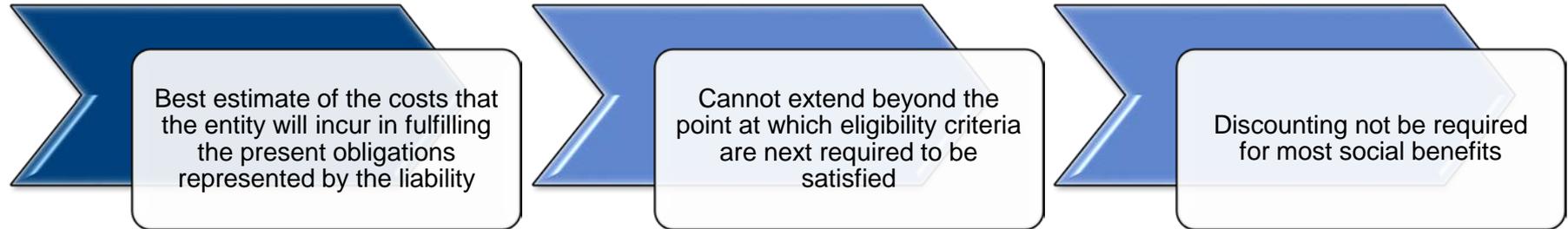
- Unemployment benefit (without a waiting period)



Being unemployed for a specified period

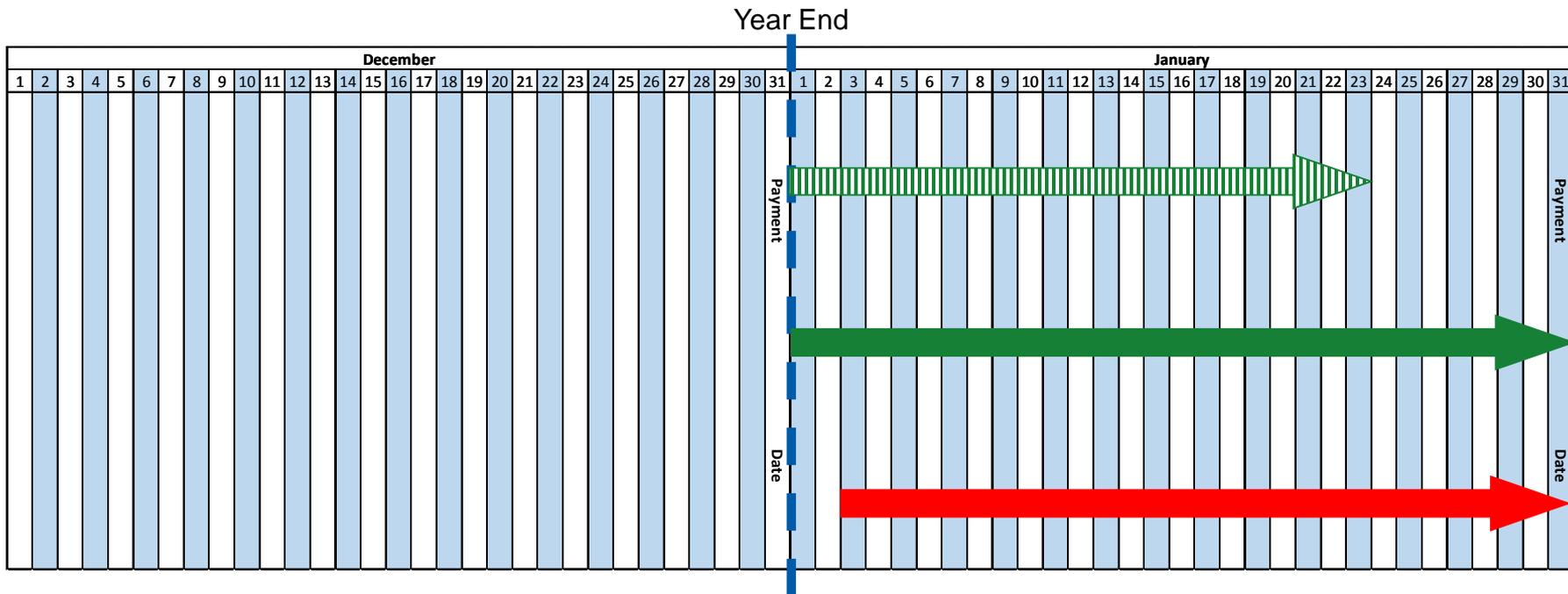
- Unemployment benefit (with a waiting period)

Obligating Event Approach: Measurement of Liability

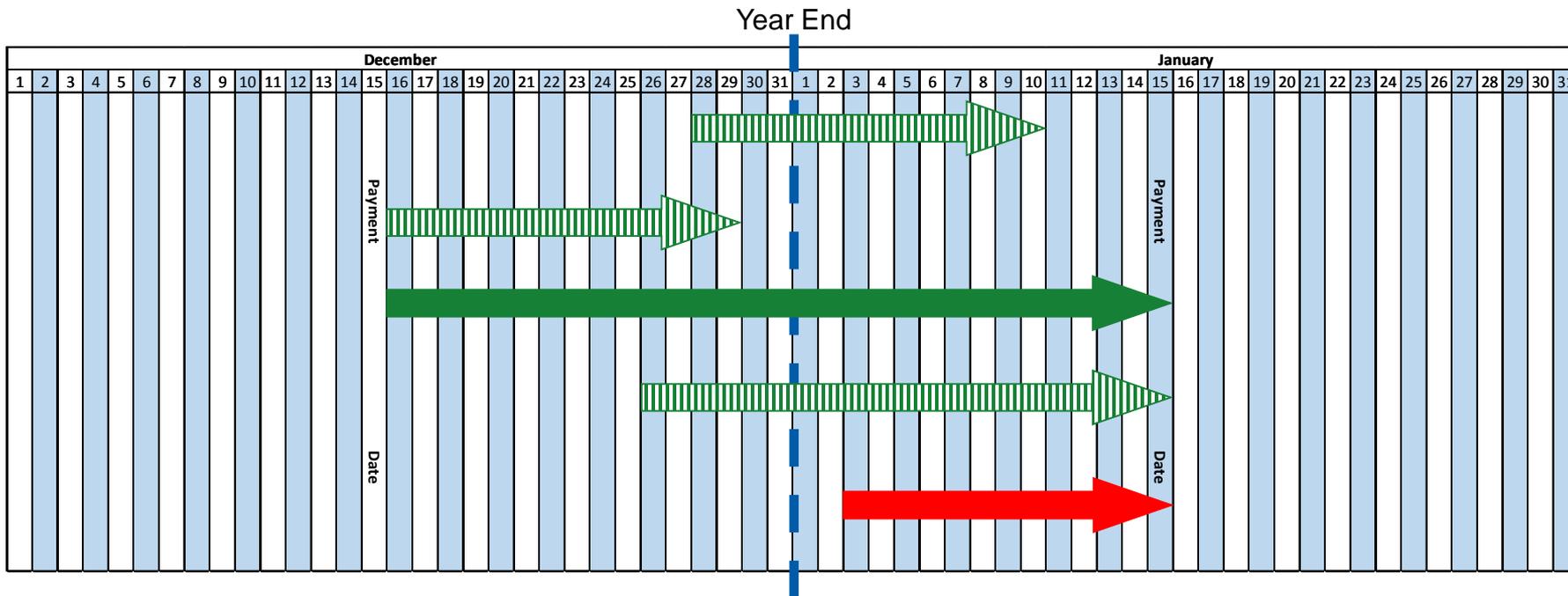


Cost of fulfillment approach for non-exchange expenses?

Obligating Event Approach: Measurement of Liability



Obligating Event Approach: Measurement of Liability

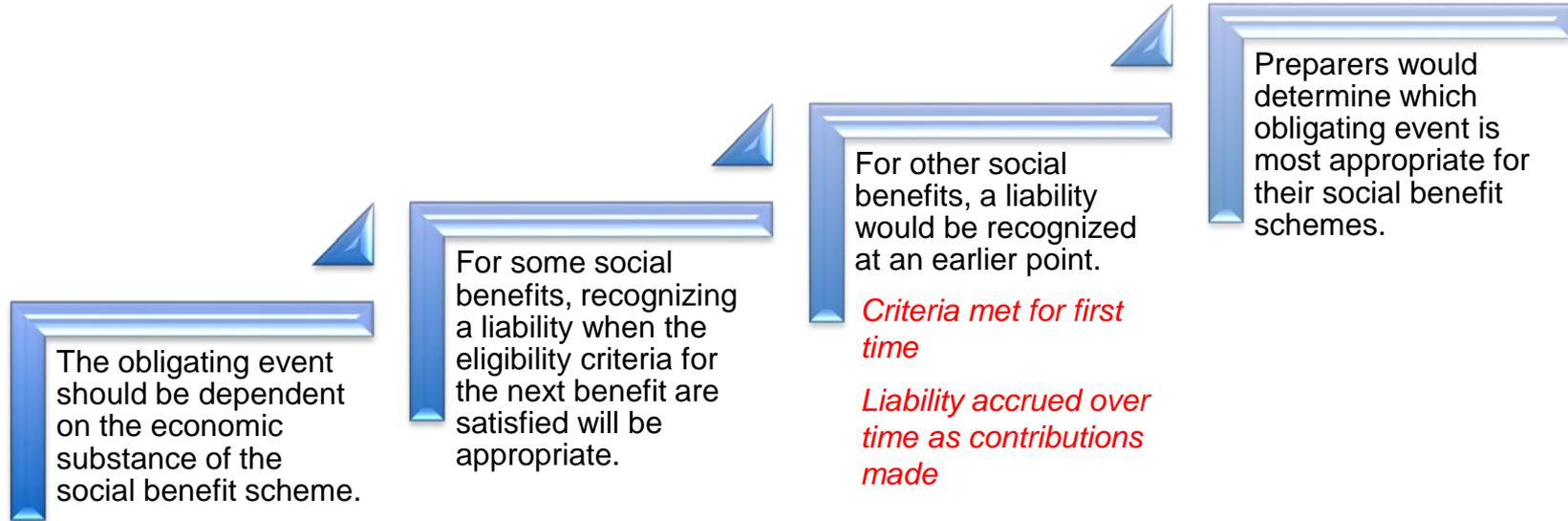


Obligating Event Approach: Disclosures



<h2>Characteristics of Social Benefit Schemes</h2>	<ul style="list-style-type: none">• Nature of social benefits provided• Key features of social benefit scheme• Description of funding• Description of significant amendments
<h2>Amounts in the Financial Statements</h2>	<ul style="list-style-type: none">• Total expense recognized• Reconciliation from the opening balance to the closing balance of the liability
<h2>Explanation of Future Cash Flows</h2>	<ul style="list-style-type: none">• Best estimate of the undiscounted projected cash outflows• Key assumptions used

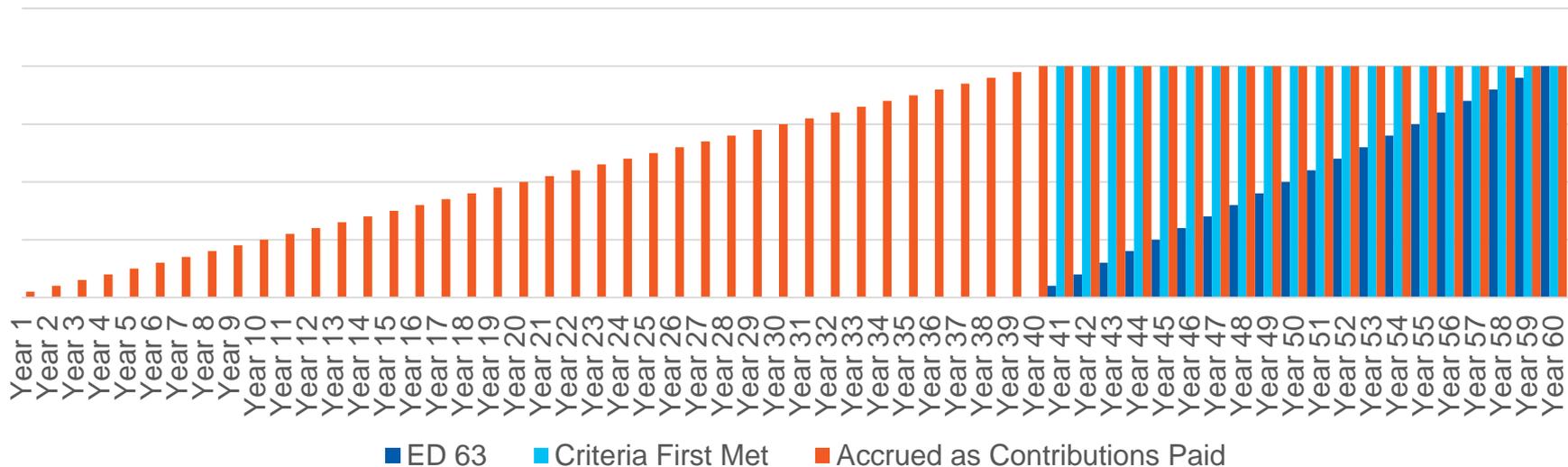
Obligating Event Approach: Alternative View



Similar issues for universally accessible services?

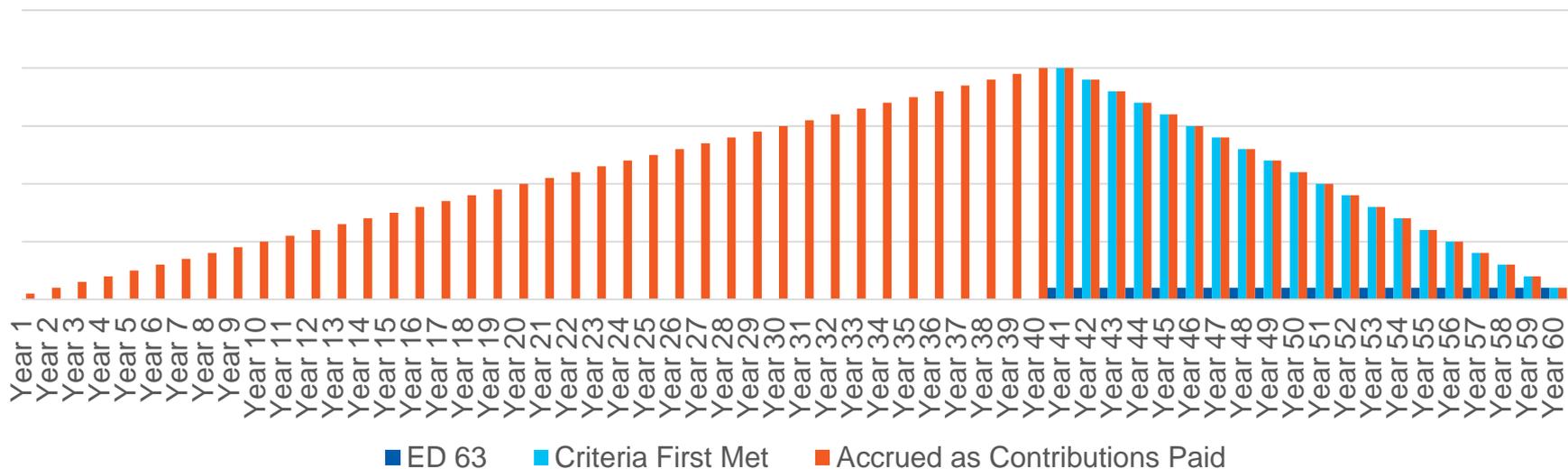
Obligating Event Approach: Alternative View Impact

Cumulative Expense Recognized



Obligating Event Approach: Alternative View Impact

Liability at End of Reporting Period



Criteria for Using the Insurance Approach

Intended to be Fully Funded from Contributions

Managed as Insurer Manages Insurance Contracts

Contributions, Levies, Investment Income

Review and Adjust Rates and/or Benefits

Bound by Scheme

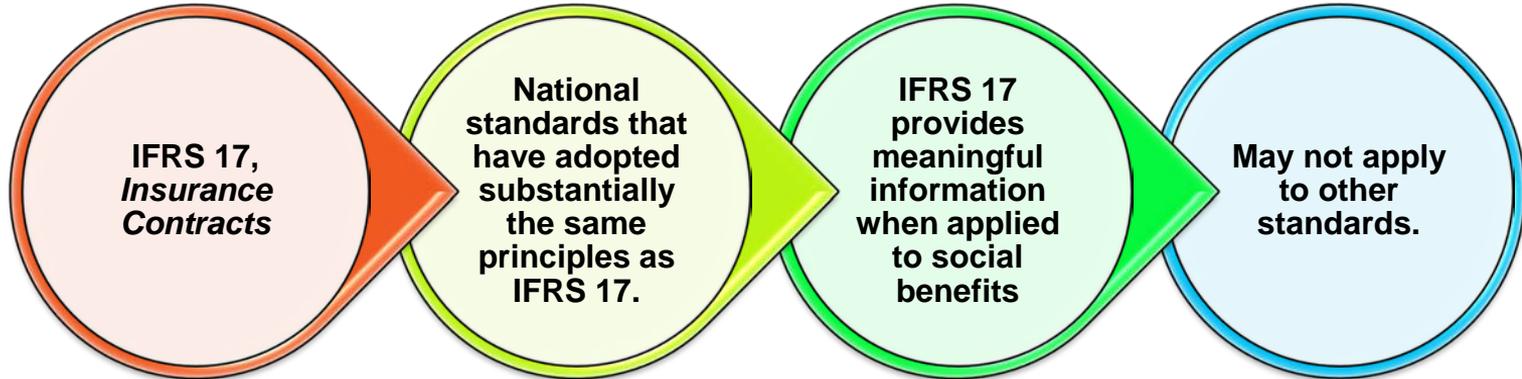
Separate Fund

Enforceable Rights

Assess Financial Performance and Position

Possibly Separate Entity

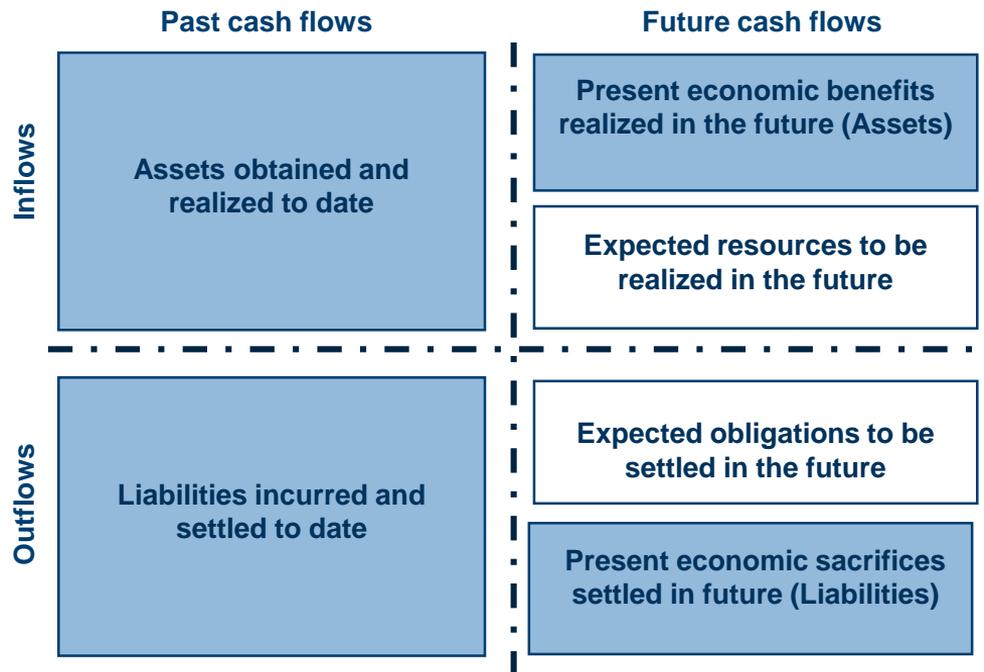
Which Insurance Standards?



Insurance Approach: Disclosures

- 
- 1. Basis for determining that the insurance approach is appropriate
 - 2. Information required by the international or national accounting standard dealing with insurance contracts
 - 3. Information about the characteristics of its social benefit schemes
 - 4. Description of any amendments made during the reporting period

Link to *Reporting on the Long-Term Sustainability of an Entity's Finances*



Next Steps



Issues for Non-Exchange Expenses Project

Boundary between Social Benefits and Non-Exchange Expenses?

Same Recognition Principles?

Same Measurement Principles?



www.ipsasb.org
