Item 5: Social Benefits

Paul Mason, Principal

IPSASB Meeting
December 4–7, 2018
Kuala Lumpur, Toronto
Item 5: Social Benefits

Session Outline

Comments and Responses on Revised Drafting

Comments and Responses on Other Issues

Approval of IPSAS 42
Item 5: Social Benefits

Session Outline:
Review of Comments and Responses

Clear Staff Recommendation

- IPSASB asked to raise any issues
- Absence of issues raised taken as agreement with text

Staff Seeking Guidance

- IPSASB asked to make decision on drafting
## Item 5: Social Benefits

### Comments/Response – Revised Drafting (1/2)
(Agenda Item 5.2.1)

<table>
<thead>
<tr>
<th>Paragraphs</th>
<th>Issue / IPSASB Decision Required</th>
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</table>
| 12-22 AG16-AG18 | Redrafting of measurement requirements re “cost” or “next payment”  
**Does the IPSASB support the revised drafting?**  
*Does the IPSASB wish to reinstate the reference to IPSAS 3?* |
| 23-25 | Redrafting of disclosure requirements – avoid reference to “each scheme”, include cross reference to IPSAS 1 guidance on materiality and aggregation  
**Does the IPSASB support the revised drafting?** |
| 25(a)(v) | Insurance criteria disclosure redrafted to only apply where criteria met.  
**Does the IPSASB support the revised drafting?** |
| 25 | Proposal: combine the key features and external factors disclosure  
**Does the IPSASB support the staff proposal for no change?** |
### Item 5: Social Benefits

**Comments/Response – Revised Drafting (2/2)**

*(Agenda Item 5.2.1)*

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>AG4 &amp; AG5</td>
<td>Proposal: relocate the cash transfers guidance to core standard. Does the IPSASB support the staff proposal for no change?</td>
</tr>
<tr>
<td>AG4 &amp; AG5</td>
<td>Proposal: guidance on cash equivalents and restrictions is unnecessary and could be deleted Does the IPSASB support the staff proposal for retention?</td>
</tr>
<tr>
<td>BC30</td>
<td>IPSAS1, 94(da) Proposal: reference to materiality in IPSAS 1, 94(da) could be deleted as materiality is pervasive Does the IPSASB support the staff proposal for retention?</td>
</tr>
<tr>
<td>IPSAS 1, 113</td>
<td>Comment: “social protection” is not defined Does the IPSASB support the staff proposal for no change?</td>
</tr>
<tr>
<td>IPSAS 1, 114-115</td>
<td>Proposal: additional consequential amendments required Does the IPSASB support the additional drafting included?</td>
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### Item 5: Social Benefits

#### Comments/Response – Other Issues Raised (1/6)
(Agenda Item 5.2.1)

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<tr>
<td>Title</td>
<td>Proposal: title of ISPAS 42 should be “Social Benefit Payments” Does the IPSASB support the staff proposal for no change?</td>
</tr>
<tr>
<td>(Old) 1</td>
<td>Proposal: delete (old) paragraph 1 as duplicates (old) paragraph 3 Does the IPSASB support the proposed deletion?</td>
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<tr>
<td>Pervasive</td>
<td>Proposal: replace “social benefit schemes” with “social benefits” throughout the IPSAS Does the IPSASB support the staff proposal for no change?</td>
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<tr>
<td>5</td>
<td>Proposal: definition of social benefits should refer to “cash transfers provided to or on behalf of” Does the IPSASB support the staff proposal for no change?</td>
</tr>
<tr>
<td>See e.g. 9, 12-22</td>
<td>Eligibility criteria being met should always refer to the next benefit payment or cash transfer Does the IPSASB support the additional drafting included?</td>
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### Comments/Response – Other Issues Raised (2/6) (Agenda Item 5.2.1)

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<tr>
<td>11</td>
<td>Proposal: requirement to not recognize an expense for a social benefit payment prior to all criteria being satisfied is not needed <strong>Does the IPSASB support the staff proposal for no change?</strong></td>
</tr>
<tr>
<td>14</td>
<td>Proposal: requirement to take into account the possible effect of subsequent events is not needed <strong>Does the IPSASB support the staff proposal for no change?</strong></td>
</tr>
<tr>
<td>23 &amp; 29</td>
<td>Proposal: Disclosure objectives under the two approaches are very similar – a reference to the relevant approach would be helpful <strong>Does the IPSASB support the additional drafting included?</strong></td>
</tr>
<tr>
<td>(Old) 29 &amp; (new) 32</td>
<td>Proposal: relocate proposal to prepare sustainability reports <strong>Does the IPSASB support the relocation?</strong></td>
</tr>
<tr>
<td>See e.g. 28, AG21</td>
<td>Proposal: Use of “contributions” and “contributions and levies” <strong>Does the IPSASB wish to amend the current drafting?</strong></td>
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## Item 5: Social Benefits

### Comments/Response – Other Issues Raised (3/6)  
(Agenda Item 5.2.1)

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| AG1         | Proposal: remove “transactions that are similar to social benefits”  
**Does the IPSASB support the amended drafting included?** |
| AG3         | Proposal: reference to collective and individual services and emergency relief could be premature  
*Does the ISPASB wish to delete paragraph AG3?* |
| All AG      | Proposal: relocate all AG material to core standard  
**Does the IPSASB support the staff proposal for no change?** |
| AG9 & AG10  | Comment: questions need for some of guidance on social risks / other risks  
**Does the IPSASB support the staff proposal for no change?** |
| AG20        | Proposal: insurance approach drafting should be clearer about which standards and entity cannot use  
**Does the IPSASB support the amended drafting included?** |
## Item 5: Social Benefits

### Comments/Response – Other Issues Raised (4/6) (Agenda Item 5.2.1)

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| AG22       | Proposal: add “such contributions may be made by the entity administering the scheme or some other entity.”  
**Does the IPSASB support the additional drafting included?** |
| IPSAS 23   | Comment: in public interest to disclose social benefits revenue  
**Does the IPSASB support the view that no action required?** |
| IPSAS 19, 1(a) | Proposal: delete reference to social benefits in IPSAS 19, 1(a)  
**Does the IPSASB wish to delete the reference?** |
| IPSAS 19, 1(a) | Question: how will changes affect other transactions previously covered by the scope exclusion?  
**Does the IPSASB consider any further action is required?** |
| IPSAS 19, BC3 | Proposals: BC3 should use wording originally used in IPSAS 19; last clause of BC5 is not required  
**Does the IPSASB support the amended drafting included?** |
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**Comments/Response – Other Issues Raised (5/6)**
*(Agenda Item 5.2.1)*

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| IPSAS 19, Comparison with IAS 37 | Proposal: comparison of IPSAS 19 with IAS 37 should show additional scope exclusions  
*Does the IPSASB support the additional drafting included?* |
| IPSAS 23, 16                | Question: amend IPSAS 23 para 16 to explain which constructive obligations fall in IPSAS 19 and which in IPSAS 42?  
*Does the IPSASB support the view that no action required?* |
| All BCs                     | Minor changes made  
*IPSASB asked to comment on an exception basis* |
| BC107                       | Proposal: Add BC explaining that the IPSASB discussed including the Alternative View in IPSAS 42, but concluded this would not produce consistent accounting  
*Does the IPSASB support the additional drafting included?* |
## Item 5: Social Benefits

**Comments/Response – Other Issues Raised (6/6)**  
(Agenda Item 5.2.1)

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| BC111      | Proposal: BC on revenue should explain amendments to IPSAS 23  
**Does the IPSASB support the additional drafting included?** |
| IE33, IE43, IE54 | Proposal: Illustrative Examples 8-10 include reconciliations of expense and liability. Alternative treatments of deletion or clarifying that reconciliation not required by IPSAS 42  
**The IPSASB is asked to decide whether to retain the proposed drafting or to delete the paragraphs** |
In assessing whether a social benefit scheme is intended to be fully funded from contributions and levies, an entity considers substance over form. For example, where a social benefit scheme is in deficit for a period but the scheme has an ability to adjust the future contribution rates and/or benefits payable such that the deficit is addressed, and receives a loan from government to offset that deficit, the scheme is still intended to be fully funded from contributions where the public sector entity operating the social benefit scheme reviews, and where necessary adjusts, the contribution rates and/or benefits payable such that the deficit is addressed and the loan is repaid. The requirement to consider substance over form applies equally to assessing whether the other criteria for applying the insurance approach have been satisfied.
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Approval of IPSAS 42 (1)
(Agenda Item 5.2.2)

Due Process followed:

- ED 63, *Social Benefits* issued for consultation
- Responses received and posted on web site
- IPSASB considered significant issues raised
- IPSASB asked to agree no further issues need to be considered.

Technical Director to advise on whether due process has been followed

If IPSAS 42 approved, Technical Director will advise on re-exposure
Item 5: Social Benefits

Approval of IPSAS 42 (2) (Agenda Item 5.2.2)

The IPSASB is asked to approve IPSAS 42, *Social Benefits*

Technical Director will advise on whether he considers re-exposure is required

- Re-exposure requires a positive vote of two thirds of IPSASB members

The IPSASB is asked to agree an effective date for IPSAS 42

- Staff recommend January 1, 2022
- Allow alignment with *Collective and Individual Services and Emergency Relief*