

Social Benefits

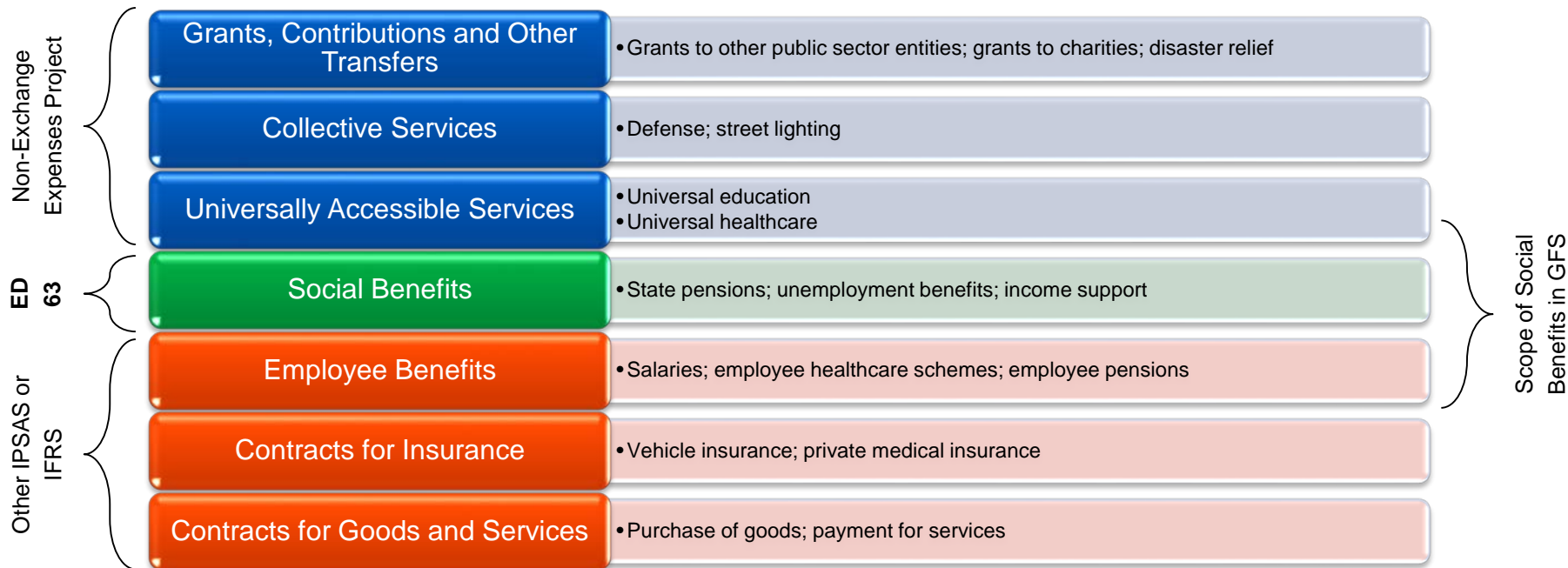
Paul Mason, Principal

IPSASB Meeting

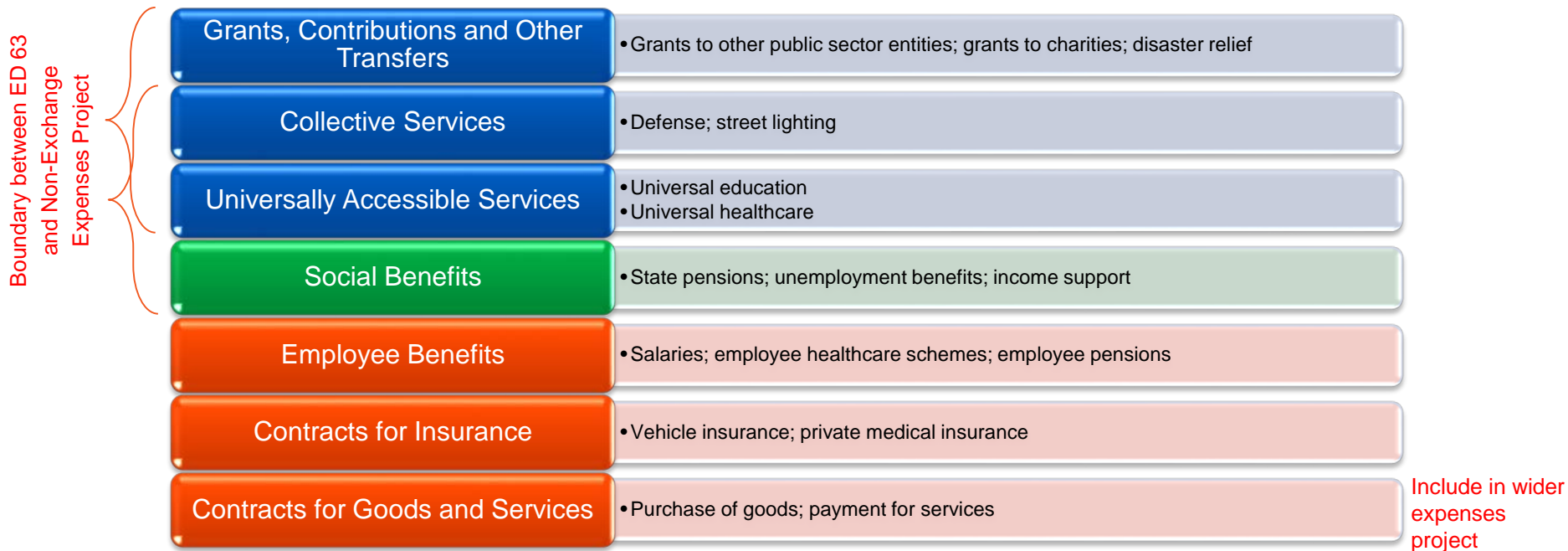
March 6-9, 2018

New York, USA

Scope



Scope



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:

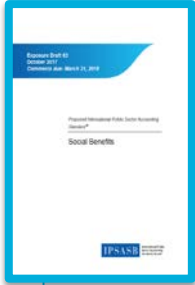
- (a) Relate to the characteristics of individuals and/or households – for example, age, health, poverty and employment status; and
- (b) May adversely affect the welfare of individuals and/or households, either by imposing additional demands on their resources or by reducing their income.

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



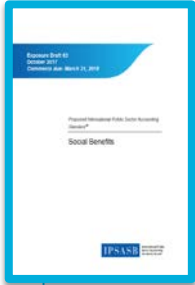
Reaching retirement age

- Retirement pension



The death of a partner

- Survivor benefit



Becoming unemployed

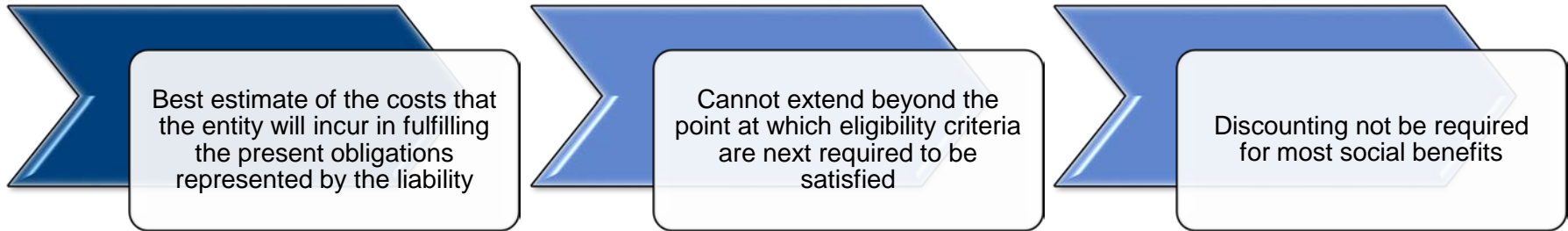
- Unemployment benefit (without a waiting period)



Being unemployed for a specified period

- Unemployment benefit (with a waiting period)

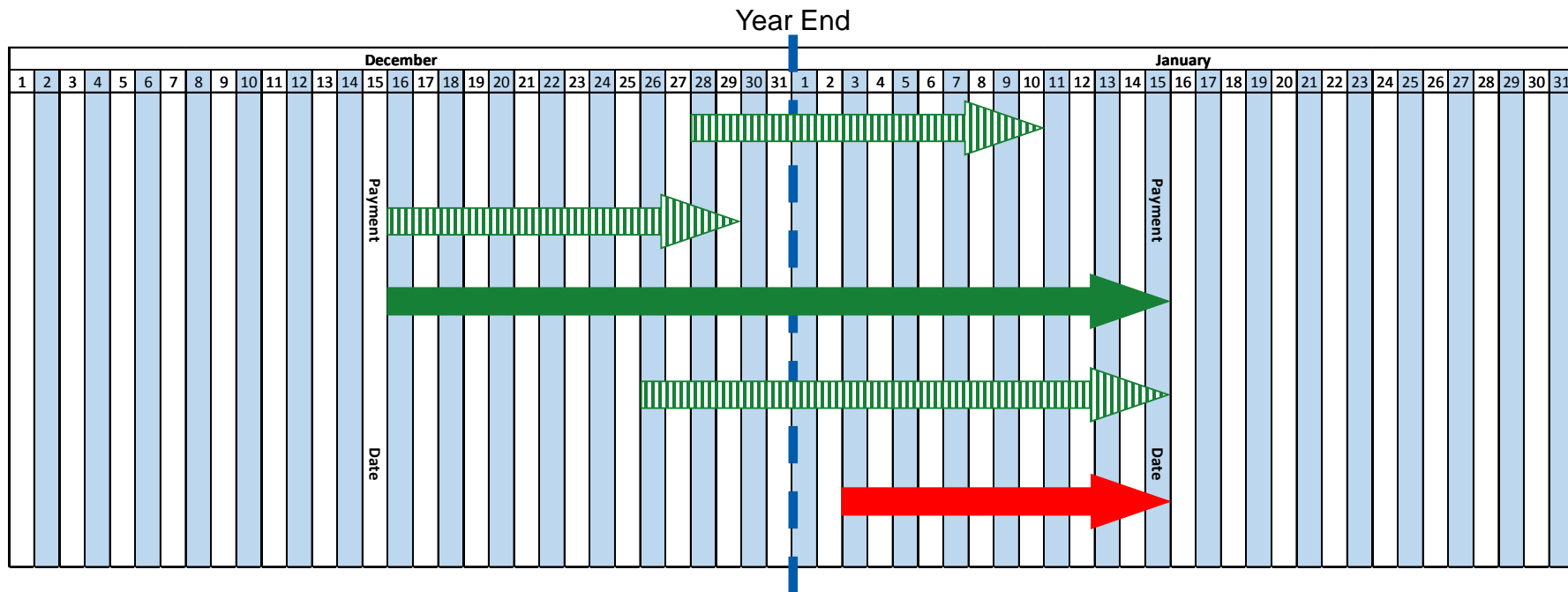
Obligating Event Approach: Measurement of Liability




Cost of fulfillment approach for non-exchange expenses?



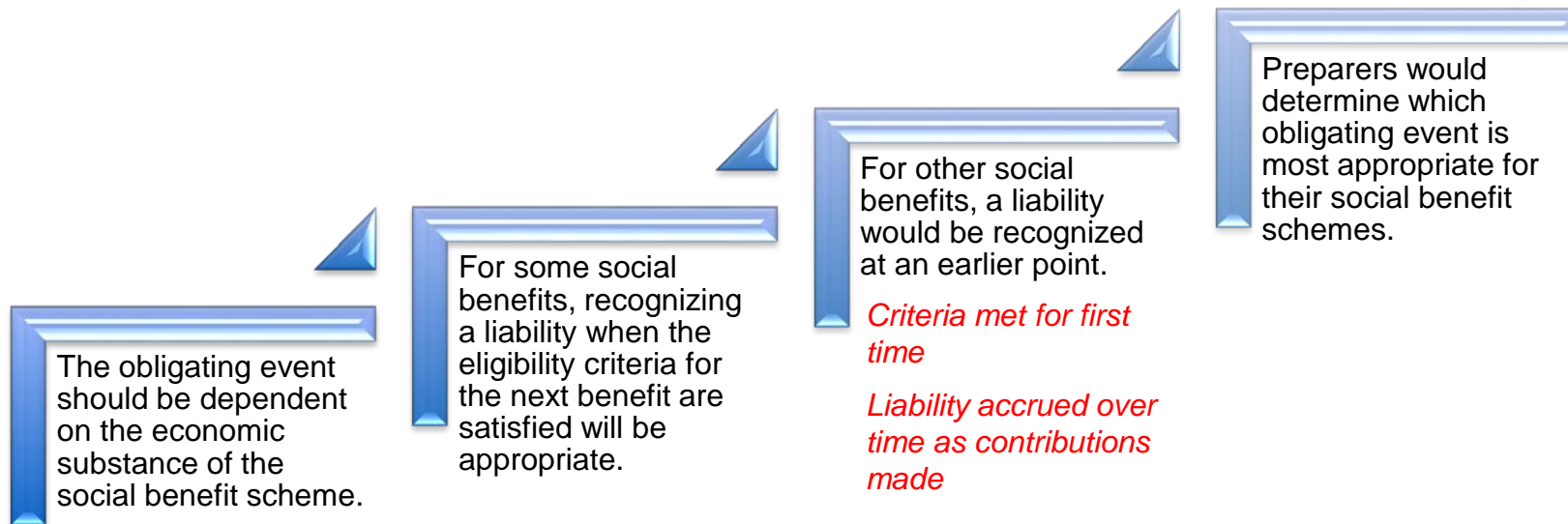
Obligating Event Approach: Measurement of Liability



Obligating Event Approach: Disclosures

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

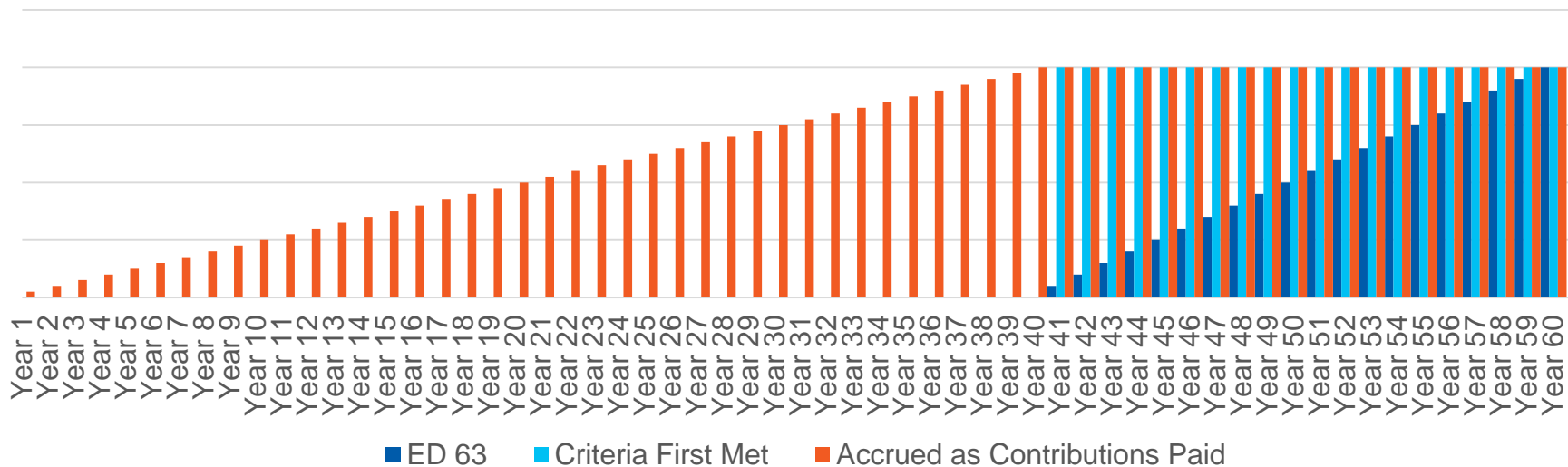
Obligating Event Approach: Alternative View



Similar issues for universally accessible services?

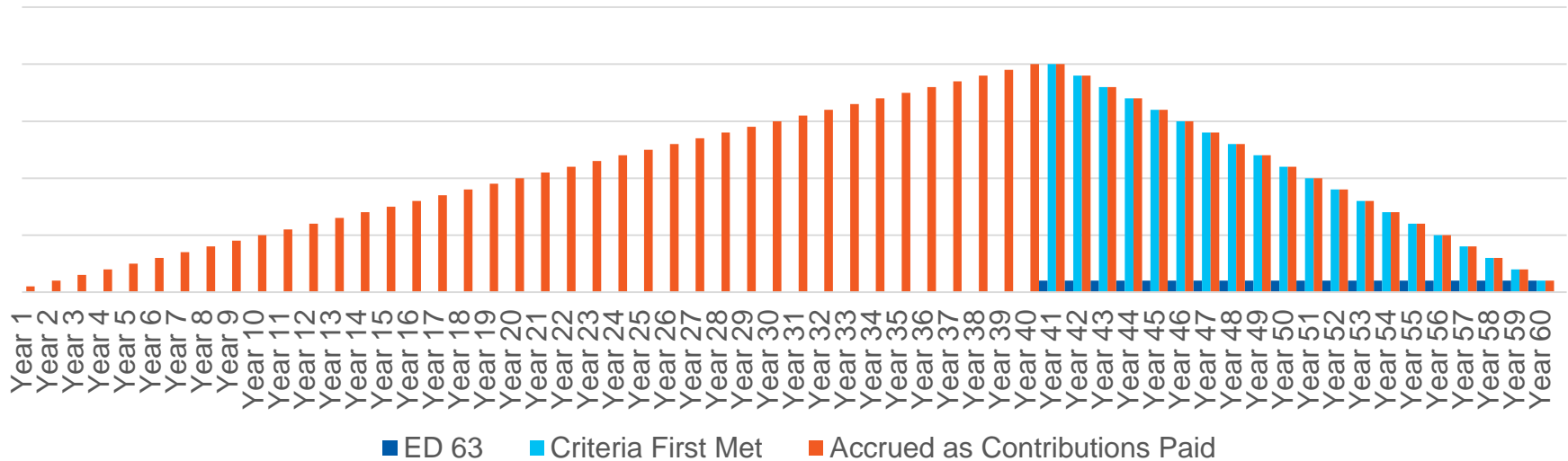
Obligating Event Approach: Alternative View Impact

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

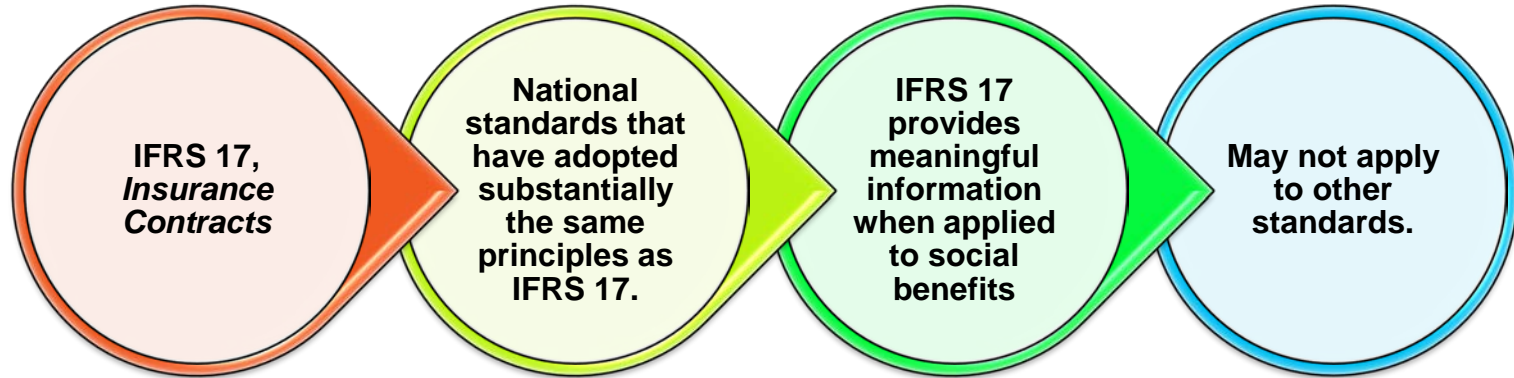
Separate
Fund

Enforceable
Rights

Assess
Financial
Performance
and Position

Possibly
Separate
Entity

Which Insurance Standards?



Insurance Approach: Disclosures



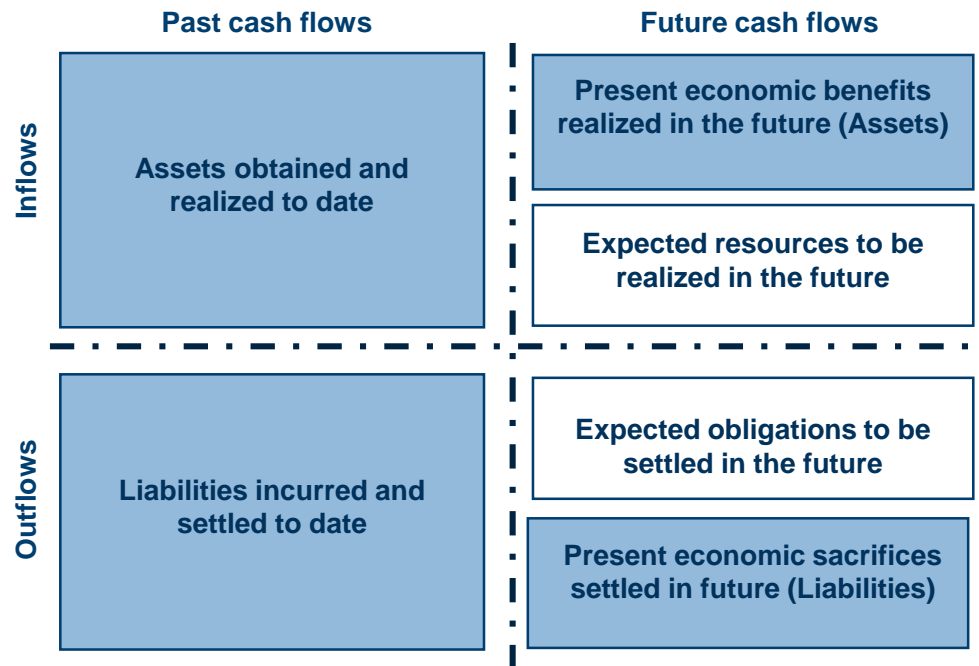
Basis for determining that the insurance approach is appropriate

Information required by the international or national accounting standard dealing with insurance contracts

Information about the characteristics of its social benefit schemes

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?



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