Social Benefits

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IPSASB Meeting
March 6-9, 2018
New York, USA
### Social Benefits

#### Scope

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants, Contributions and Other Transfers</td>
<td>Grants to other public sector entities; grants to charities; disaster relief</td>
</tr>
<tr>
<td>Collective Services</td>
<td>Defense; street lighting</td>
</tr>
<tr>
<td>Universally Accessible Services</td>
<td>Universal education, Universal healthcare</td>
</tr>
<tr>
<td>Social Benefits</td>
<td>State pensions; unemployment benefits; income support</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>Salaries; employee healthcare schemes; employee pensions</td>
</tr>
<tr>
<td>Contracts for Insurance</td>
<td>Vehicle insurance; private medical insurance</td>
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<tr>
<td>Contracts for Goods and Services</td>
<td>Purchase of goods; payment for services</td>
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*Scope of Social Benefits in GFS*
Social Benefits

Scope

Grants, Contributions and Other Transfers
- Grants to other public sector entities; grants to charities; disaster relief

Collective Services
- Defense; street lighting

Universally Accessible Services
- Universal education
- Universal healthcare

Social Benefits
- State pensions; unemployment benefits; income support

Employee Benefits
- Salaries; employee healthcare schemes; employee pensions

Contracts for Insurance
- Vehicle insurance; private medical insurance

Contracts for Goods and Services
- Purchase of goods; payment for services

Boundary between ED 63 and Non-Exchange Expenses Project
Include in wider expenses project
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.
### Social Benefits

#### Which Benefits are Social Benefits?

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

Obligating Event Approach: Measurement of Liability

Best estimate of the costs that the entity will incur in fulfilling the present obligations represented by the liability

Cannot extend beyond the point at which eligibility criteria are next required to be satisfied

Discounting not be required for most social benefits

Cost of fulfillment approach for non-exchange expenses?
Social Benefits

Obligating Event Approach: Measurement of Liability

<table>
<thead>
<tr>
<th>December</th>
<th>January</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Payment</td>
<td>Date</td>
</tr>
<tr>
<td>Payment</td>
<td>Date</td>
</tr>
</tbody>
</table>
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Obligating Event Approach: Measurement of Liability

![Calendar diagram showing payment dates and year end]

1. **Payment Date**
2. **Year End**

- December
  - 1st, 3rd, 5th, 7th, 9th, 11th, 13th, 15th, 17th, 19th, 21st, 23rd, 25th, 27th, 29th
- January
  - 2nd, 4th, 6th, 8th, 10th, 12th, 14th, 16th, 18th, 20th, 22nd, 24th, 26th, 28th, 30th

- Payment dates are marked with arrows pointing to the right, indicating the progression of payments.

- Year end is marked with a vertical line dividing December from January.

- The diagram illustrates the timeline for obligation events, with each date corresponding to a specific payment cycle.

- The layout helps in visualizing the measurement of liability over the year, ensuring compliance with financial reporting standards.
Social Benefits

Obligating Event Approach: Disclosures

### Characteristics of Social Benefit Schemes
- Nature of social benefits provided
- Key features of social benefit scheme
- Description of funding
- Description of significant amendments

### Amounts in the Financial Statements
- Total expense recognized
- Reconciliation from the opening balance to the closing balance of the liability

### Explanation of Future Cash Flows
- Best estimate of the undiscounted projected cash outflows
- Key assumptions used
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Obligating Event Approach: Alternative View

The obligating event should be dependent on the economic substance of the social benefit scheme.

For some social benefits, recognizing a liability when the eligibility criteria for the next benefit are satisfied will be appropriate.

For other social benefits, a liability would be recognized at an earlier point.

Criteria met for first time

Liability accrued over time as contributions made

Preparers would determine which obligating event is most appropriate for their social benefit schemes.

Similar issues for universally accessible services?
Obligating Event Approach: Alternative View Impact

Cumulative Expense Recognized

- **ED 63**
- **Criteria First Met**
- **Accrued as Contributions Paid**
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Obligating Event Approach: Alternative View Impact

Liability at End of Reporting Period

- ED 63
- Criteria First Met
- Accrued as Contributions Paid
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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
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Which Insurance Standards?

IFRS 17, *Insurance Contracts*

National standards that have adopted substantially the same principles as IFRS 17.

IFRS 17 provides meaningful information when applied to social benefits.

May not apply to other standards.
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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
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Link to *Reporting on the Long-Term Sustainability of an Entity’s Finances*

- **Past cash flows**
  - **Inflows**
    - Assets obtained and realized to date
  - **Outflows**
    - Liabilities incurred and settled to date

- **Future cash flows**
  - **Inflows**
    - Present economic benefits realized in the future (Assets)
    - Expected resources to be realized in the future
  - **Outflows**
    - Expected obligations to be settled in the future
    - Present economic sacrifices settled in future (Liabilities)
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Next Steps

ED 63 issued
October 2017

Deadline for comments
March 2018

IPSASB considers responses

IPSAS issued
Social Benefits

Issues for Non-Exchange Expenses Project

Boundary between Social Benefits and Non-Exchange Expenses?

Same Recognition Principles?

Same Measurement Principles?