

Agenda Item 7: Social Benefits

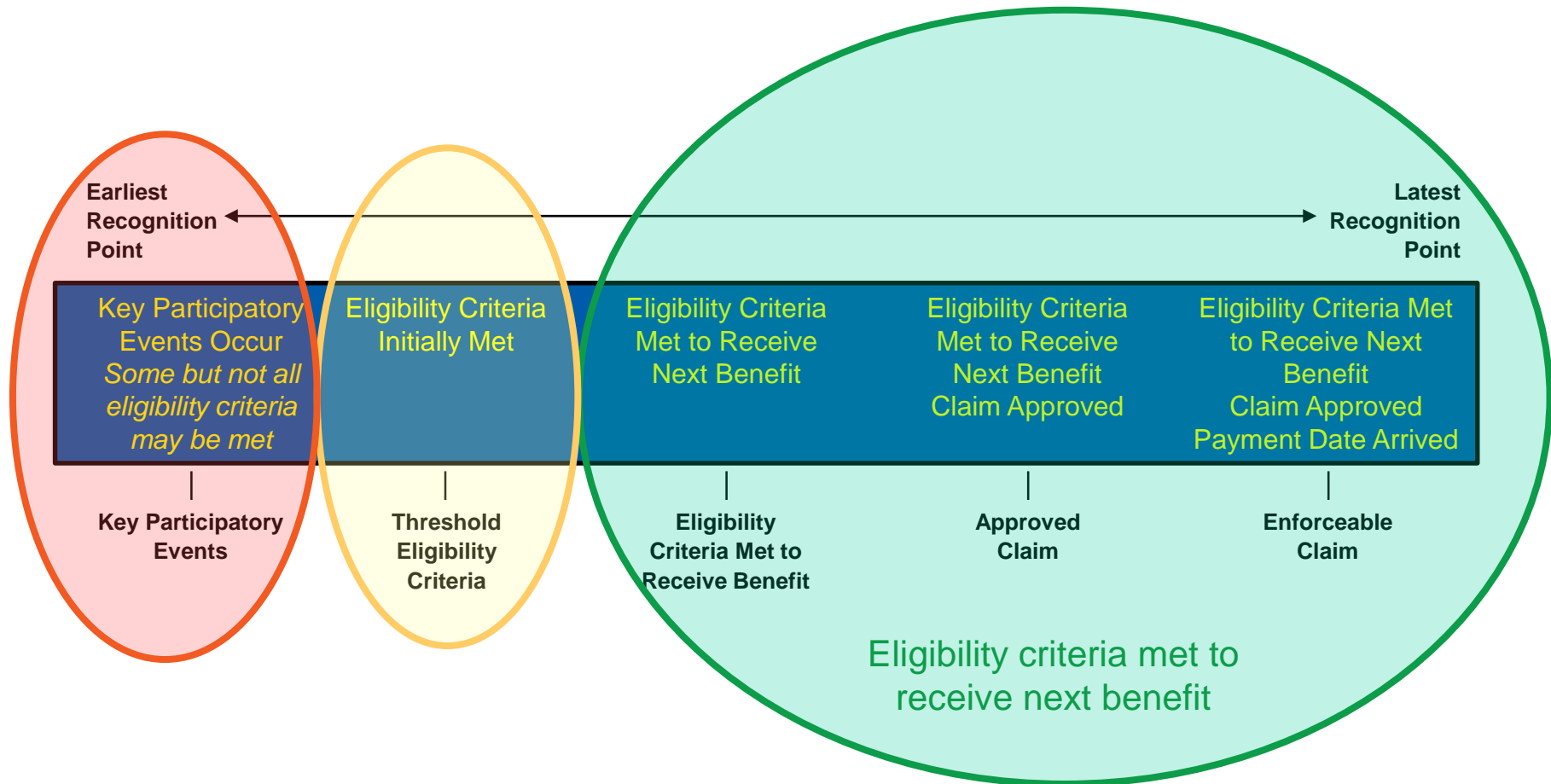
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IPSASB Consultative Advisory Group Meeting

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Luxembourg, Luxembourg

Obligating Event Approach (Agenda Item 7.1)



Obligating Event Approach: Concerns 1 & 2 (Agenda Item 7.1)

Reporting Long-term Liabilities but not the Related Revenue does not produce Useful Information

- What is the purpose of the statement of financial position in the context of long-term liabilities resulting from social benefits?
- Would it serve the public interest not to recognize long-term liabilities because of the lack of financing? Or
- Would users' information needs be best met by recognizing social benefit obligations which are not yet financed?

Disclosure in the Notes or a Fiscal Sustainability Report is More Appropriate than Recognizing Liabilities in the Statement of Financial Position

- Can users' information needs be satisfied through disclosure of social benefit obligations in:
 - The notes; or
 - A separate fiscal sustainability report; or
- Can these needs only be met by recognizing long term liabilities in the statement of financial position?

Obligating Event Approach: Concerns 3 – 5 (Agenda Item 7.1)

Inconsistency
between the Costs
of Services
Recognized during
the Year and the
Services Provided
during the Year

*No Government
can Bind its
Successor, and
any Social Benefit
Obligation can be
Changed by the
Government in
Power*

Measurement
Uncertainty

- From a public interest perspective, what best meets users' information needs:
 - Reporting benefits provided during the year (for example, pensions paid in the year); or
 - Recognizing a liability for future periods?
- If the latter, would information on benefits provided in the year be useful?

- From a public interest perspective, can sovereign power justify not recognizing long-term liabilities for social benefits?

- From a public interest perspective, is measurement uncertainty a sound conceptual justification for not recognizing social benefit liabilities in the statement of financial position?

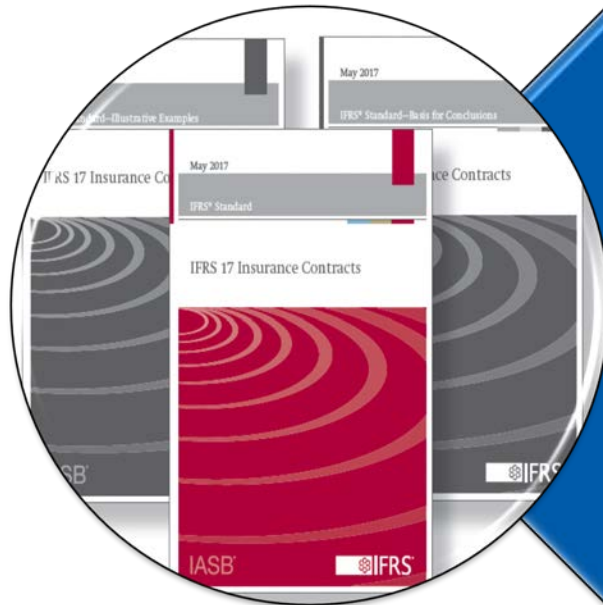
Applicability of the Insurance Approach (Agenda Item 7.2)

Insurance approach should only be applied where:

- The social benefit scheme is intended to be fully funded from contributions; and
- There is evidence that the entity manages the scheme in the same way as an issuer of insurance contracts, including assessing the financial performance and financial position of the scheme on a regular basis.

Will applying the insurance approach in this way satisfy the public interest?

Insurance Approach: Accounting Requirements (Agenda Item 7.2)



From a public interest perspective, are any reasons to revisit the IPSASB's decision not to amend the requirements of IFRS 17?



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