

Meeting: IPSASB Consultative Advisory Group

Meeting Location: Luxembourg, Luxembourg

Meeting Date: June 26, 2017

From: Paul Mason

Agenda Item 7

For:

- ☐ Approval
☒ Discussion
☒ Information

SOCIAL BENEFITS

Project summary	To identify the circumstances and manner in which expenses and liabilities of certain social benefits of governments arise. The project will also consider how they should be recognized and measured in the financial statements.	
Meeting objectives	Topic	Agenda Item
Discussion items	Obligating Event Approach: Concerns which might affect Recognition	7.1
	Insurance Approach	7.2
Other supporting items	Extract from Exposure Draft, <i>Social Benefits: Guidance on Insurance Approach</i>	Appendix A
	IPSASB Due Process Checklist	Appendix B
	Useful Links	Appendix C
	Extract from Draft Minutes of the March 2017 IPSASB Meeting	Appendix D

Obligating Event Approach: Concerns which might affect Recognition**Background**

1. The IPSASB is currently considering the circumstances in which different obligating events could be applied under the obligating event approach. The IPSASB has yet to reach any firm conclusions on this point, and will continue these discussions at its June 2017 meeting.
2. Some respondents to the Consultation Paper (CP) raised concerns which they consider should be taken into account when determining which obligating events might be appropriate. CAG members are asked for their views or concerns.

Concerns Raised*Concern 1: Reporting Long-term Liabilities but not the Related Revenue does not produce Useful Information*

3. Some respondents to the CP argued that reporting long term liabilities in the financial statements without also including the related revenue would not provide useful information.
4. Revenue is recognized when it is controlled by an entity. Social benefits may be financed through social contributions, general taxation or a combination of both. In accordance with IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*, revenue from social contributions and taxation is recognized when the event that gives an entity the right to receive the revenue has occurred. For example, an entity only recognizes revenue from income taxes or income-related social contributions once an individual has earned the income.¹
5. The entity does not recognize an asset for future taxation or social contribution revenue. In developing its *Conceptual Framework*, the IPSASB concluded that a government's sovereign powers to levy taxes and fees do not give rise to assets until these powers are exercised and the rights exist to receive service potential or economic benefits.
6. Consequently, while it may be possible for a social benefit to give rise to a long term liability (the IPSASB is still considering this issue in the context of the obligating event approach), only revenue that the entity already controls will be recognized.
7. The view that reporting long term liabilities in the statement of financial performance without also including the related revenue would not produce useful information appears to regard the social benefit and its related financing as a single phenomenon.
8. Those who hold this view therefore consider that reporting the liability without the financing provides an incomplete picture of an entity's financial position. They do not consider that this faithfully reflects the financial position or performance of the scheme or of the entity, and therefore do not consider that this provides relevant information to users. Consequently, they do not consider that this approach is in the public interest. They also consider that, because the potential long term liabilities arising from social benefits can be very large, providing an incomplete picture may be particularly misleading.

¹ In practice, some jurisdictions recognize revenue at a later point (for example, when a tax declaration is received or the tax authorities have completed the tax assessment).

9. Others consider the liability and expense, and the revenue that finances the social benefit to be separate phenomena, even if, in the case of social contributions, the transactions may be related.
10. These respondents note that, in many cases, social benefits will be financed through general taxation. Social benefits and the taxation that finances those benefits are separate phenomena, and should not be combined. These respondents consider that these cases are no different from unfunded defined benefit schemes. Under IPSAS 25, *Employee Benefits*, the defined benefit liability (which may be a large liability) is recognized in the statement of financial position even though the scheme is unfunded. Although the nature of the liability will be different (contractual in the case of the defined benefit plan, non-contractual in the case of the social benefit), which might affect the timing of recognition, if a liability exists, its recognition is not dependent on the recognition of a separate asset for future revenue.
11. Further support for this view is found in paragraph 5.25 of the Conceptual Framework:

“There may be a correlation between the availability of funding to settle a particular obligation and the creation of a present obligation. For example, where both a budget line item has been approved and linked funding is assured through an appropriation, the availability of contingency funding or a transfer from a different level of government, a non-legally binding obligation may exist. However the absence of a budgetary provision does not itself mean that a present obligation has not arisen.”
12. These respondents also note that, in many jurisdictions, the entity that provides the social benefits will not be the entity that receives the taxation revenue. The recognition of a liability in one entity should not be dependent on the recognition of a different asset in another entity.
13. These respondents consider that excluding items from the statement of financial position that meet the IPSASB’s definition of a liability simply because of their size may reduce the credibility of the IPSASB’s literature, and create the impression the Board is permitting governments to present their financial position in a more favorable light than is the case.

Question to the CAG

From a public interest perspective:

- 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?

Concern 2: Disclosure in the Notes or a Fiscal Sustainability Report is More Appropriate than Recognizing Liabilities in the Statement of Financial Position

14. Related to Concern 1, some respondents noted that the financial statements cannot satisfy all users’ information needs on social benefits. Further information about the long-term fiscal sustainability of those schemes is required. These respondents considered that including liabilities in the statement

of financial position would only provide partial information² on a social benefit scheme. These respondents did not consider this helpful. Rather, they considered it more appropriate to disclose information about the long-term fiscal sustainability of those schemes in the notes to the financial statements or a separate fiscal sustainability report.

15. Respondents generally agree that there will be a need to provide information about the long-term fiscal sustainability of those schemes in the notes to the financial statements or a separate fiscal sustainability report.
16. However, other respondents consider that the statement of financial position should include all liabilities, even if these do not represent an entity's full commitments under a social benefit scheme. Financial statements that do not include all items that meet the definition of an element and satisfy the eligibility criteria are unlikely to satisfy the qualitative characteristic (QC) of faithful representation. Paragraph 6.9 of the Conceptual Framework states that:

"The failure to recognize items that meet the definition of an element and the recognition criteria is not rectified by the disclosure of accounting policies, notes or other explanatory detail."

Question to the CAG

From a public interest perspective:

- 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?

Concern 3: Inconsistency between the Costs of Services Recognized during the Year and the Services Provided during the Year

17. Some respondents to the CP commented that the recognition of future social benefits would result in an inconsistency between the costs of services recognized during the year and the services provided during the year. These respondents considered that the public interest is best served by reporting benefits provided during the year (for example, pensions paid in the year) rather than by recognizing a liability for future periods.
18. Others consider that this approach would be inconsistent with the Conceptual Framework. The QC of faithful representation would not be met if items that satisfy the definition of a liability and meet the recognition criteria are omitted from the financial statements.
19. They consider that the public interest is best served by reporting all liabilities that meet the recognition criteria. Information about the level of social benefits provided in the year may be useful information.

² These respondents consider the information is partial because it only provides information about the liability, not the revenue. They also note that, depending on when a liability is recognized, the liability is unlikely to recognize all commitments under the social benefit scheme. For example, pension commitments to those who have yet to retire may not be included in the liability.

However, this provides a justification for disclosing such additional information (where this is not available from the cash flow statement³) rather than providing a rationale for not recognizing liabilities.

Question to the CAG

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?

Concern 4: No Government can Bind its Successor, and any Social Benefit Obligation can be Changed by the Government in Power

20. Some respondents argued that no government can bind its successor, and any social benefit obligation can be changed at the whim of the government in power. Consequently, a government would always have a realistic alternative to settling an obligation.
21. Other respondents do not consider that this view is consistent with the Conceptual Framework. The ability of a government to change a social benefit scheme relies on the exercise of its sovereign power. Paragraph 5.22 of the Conceptual Framework addresses this issue:

"Sovereign power is not a rationale for concluding that an obligation does not meet the definition of a liability in this Framework. The legal position should be assessed at each reporting date to consider if an obligation is no longer binding and does not meet the definition of a liability."

Question to the CAG

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

Concern 5: Measurement Uncertainty

22. Some respondents argued that there are significant uncertainties in estimating the benefits to be provided in the future, particularly in situations where anticipated funding will not be sufficient to pay full benefits. These uncertainties could make it difficult to estimate the liability, and could result in significant volatility in the financial statements as estimates are amended and discount rates change.
23. Other respondents generally accept that there could be significant uncertainties in estimating the benefits that will be provided in the future, but note that these difficulties in assessing future cash flows are not unique to social benefits. They also accept that managing these uncertainties is part of the process of managing the social benefit scheme.
24. Consequently, these other respondents consider that, except in exceptional circumstances where the liability cannot be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in general purpose financial reports, uncertainty in estimating the benefits is not, on its own, a reason for not recognizing a liability.

³ Information about the level of social benefits provided in the year might be available from a cash flow statement prepared using the direct method. It is unlikely to be available where the cash flow statement is prepared using the more common indirect method.

Question to the CAG

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

Insurance Approach**Background**

1. At its June 2016 meeting, the CAG discussed the proposal to refer preparers to an IFRS on insurance accounting in the appropriate circumstances, rather than to develop insurance accounting requirements in a future IPSAS. The CAG also discussed the proposal to limit the application of the insurance approach to cases where a social benefit scheme was fully funded from contributions.
2. CAG members did not raise any objections to these proposals, but considered that the meaning of “fully funded from contributions” needed to be clarified.
3. The IPSASB has now considered the circumstances in which the insurance approach could be applied. The IPSASB has also considered whether to modify any of the requirements in IFRS 17, *Insurance Contracts*. The IPSASB is seeking CAG members’ views as to whether there are any public interest reasons to revisit the decision not to amend the requirements of IFRS 17 (see extract from [IPSASB March 2017 meeting minutes](#)).

Issues for CAG discussion*Issue 1: Applicability of the Insurance Approach*

4. Respondents to the Consultation Paper (CP) considered that the insurance approach should only be applied in limited circumstances, where the social benefit scheme operated in a similar manner to an insurance contract. They considered that applying the insurance approach to other social benefit schemes would not faithfully represent the economic substance of those schemes.
5. The IPSASB concurred with this view. Consequently, the IPSASB agreed that the insurance approach should only be applied where:
 - (a) The social benefit scheme is intended to be fully funded from contributions; and
 - (b) 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.⁴
6. The IPSASB also considered whether the insurance approach should be mandatory for social benefit schemes that meet the above criteria, or optional.
7. The IPSASB considered that, for these social benefit schemes, users’ information needs would be best met by the insurance approach. However, the insurance approach is expected to be more costly and complex to implement than the obligating event approach. On balance, the IPSASB considered that the insurance approach should be optional, for cost/benefit reasons. The IPSASB noted that this could be revisited at a future date, once the implementation of the insurance approach can be assessed.

⁴ Application Guidance on how to determine whether a social benefit scheme is intended to be fully funded from contributions, and on whether an entity is managing a scheme in the same way as an insurer will be provided in the Exposure Draft. The wording to be considered by the IPSASB at its June 2017 meeting is included at Appendix A.

Question to the CAG

Will applying the insurance approach in accordance with the criteria in paragraph 5 satisfy the public interest?

Issue 2: Accounting Requirements

8. Having agreed to refer preparers to the “relevant international or national accounting standard dealing with insurance contracts”, the IPSASB considered whether any guidance on social benefit specific issues was required. In particular, the IPSASB considered whether the arrangements in IFRS 17 in respect of the discount rate and the risk adjustment were appropriate for a social benefit scheme.
9. The requirements in IFRS 17 specify that the selected discount rate should adjust the future cash flows to reflect the time value of money. IFRS 17 requires consistency with the timing, currency and liquidity of an insurance contract.
10. These requirements differ from those in IPSAS 39, *Employee Benefits*, where no liquidity adjustment is included in the discount rate. In addition, statistical reporting uses the same discount rates for accounting for employee benefits and social benefits.
11. IFRS 17 requires the use of a risk adjustment. In developing the CP, the IPSASB had noted that there were differing views on the appropriateness of a risk adjustment in the context of social benefits. Respondents to the CP generally considered that the cost of fulfilment measurement basis, which does not include a risk adjustment, was the most appropriate measurement basis for social benefits.
12. Adopting the discount rate included in IPSAS 39, and not including a risk adjustment, will produce greater consistency with social benefit schemes accounted for under the obligating event approach.
13. However, amending the requirements of IFRS 17 would require the IPSASB to undertake its own project on insurance contracts. This would require a significant use of resources, which would defeat the IPSASB’s intentions in directing preparers to apply IFRS 17. It is also the case that there was not much support for an insurance project in the IPSASB’s last Strategy and Work Plan consultation.
14. Inconsistencies in the application of discount rates is also a wider issue than social benefits, and a number of standard setters, including the IASB, are undertaking work on this area. Discount rates will also be discussed at the Public Sector Standard Setters Forum in the week following the CAG meeting.
15. For these reasons, the IPSASB agreed not to amend the requirements in IFRS 17 when applying that standard by analogy to social benefit schemes, and to seek the CAG’s views on the appropriateness of this approach.

Question to the CAG

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

Extract from Exposure Draft, *Social Benefits: Guidance on Insurance Approach*

Guidance on Determining Whether a Social Benefit Scheme is Intended to be Fully Funded from Contributions

AG12. A social benefit scheme is intended to be fully funded from contributions when:

- (a) The legislation or other arrangement governing the social benefit scheme provides for the scheme to be funded by contributions or levies paid by or on behalf of either the potential beneficiaries or those whose activities create or exacerbate the risks, together with investment returns arising from the contributions or levies; and
- (b) One or more of the following indicators (individually or in combination) is satisfied:
 - (i) Contribution rates or levy rates are reviewed (and, where appropriate, adjusted in line with the scheme's funding policy), either on a regular basis or when specified criteria are met, with the aim of ensuring that the revenue from contributions and levies will be sufficient to fully fund the social benefit scheme; and/or
 - (ii) Benefit levels are reviewed (and, where appropriate, adjusted in line with the scheme's funding policy), either on a regular basis or when specified criteria are met, with the aim of ensuring that the levels of benefits provided will not exceed the level of funding available from contributions or levies.

In subparagraphs (i) and (ii) above, reviews are undertaken on a regular basis when they are performed at a frequency appropriate for the specific scheme. While annual reviews are common, less frequent—or more frequent—reviews will be appropriate for some schemes.

AG13. The reference in paragraph AG12(a) to “those whose activities create or exacerbate the risks” is intended to cover those social benefit schemes such as accident insurance schemes that are:

- (a) Funded by levies on, for example, motorists or employers in particular industries; and
- (b) Provide coverage against social risks to the wider population.

Guidance on Determining Whether an Entity is Managing a Scheme in the same way as an Insurer

AG14. An entity is managing a scheme in the same way as an insurer would manage an insurance portfolio when the social benefit scheme has commercial substance, and has, with the exception of its legislative rather than contractual origins, the look and feel of an insurance contract.

AG15. In determining whether it is managing a scheme in the same way as an insurer would manage an insurance portfolio, an entity considers the following indicators:

- (a) Does the entity consider itself bound by the scheme in a similar manner to an insurer being bound by an insurance contract? For example, there may be evidence that the entity considers that it can amend the terms of the scheme for existing participants in a manner that an insurer could not (such as where the entity can make retrospective changes to the scheme). In such cases, the entity will not be bound in a similar manner to an insurer, and the social benefit scheme will not have commercial substance or look and feel like an

insurance contract. An entity will be bound by the scheme in a similar manner to an insurer where its ability to amend the scheme for existing participants is limited to:

- (i) Circumstances prescribed by the legislation that establishes the scheme (equivalent to a contractual term permitting changes in specific circumstances); or
 - (ii) When setting new contribution or levy rates (where a trade-off between the contributions and prospective benefits is part of the process of determining an appropriate rate).
- (b) Are assets relating to the social benefit scheme held in a separate fund, or otherwise earmarked, and restricted to being used to provide benefits to participants? If an entity does not separately identify amounts relating to social benefits, this will provide evidence that the entity considers the contributions as a form of taxation. The social benefit scheme will not have commercial substance or look and feel like an insurance contract. There will also be practical difficulties with applying the measurement requirements of the relevant international or national accounting standard dealing with insurance contracts if the assets associated with a social benefit scheme are not separately identified.
- (c) Does the legislation that establishes the social benefit give enforceable rights to participants in the event that the social risk occurs? Insurance contracts give such rights to policyholders. If the social benefit scheme does not also include such rights, then any benefits provided by the entity will have a discretionary nature. The social benefit scheme will not have commercial substance or look and feel like an insurance contract. For rights to be enforceable, a participant would need to have the right to challenge—in a court of law, via an arbitration or dispute resolution process or similar mechanism—decisions by the entity. The decisions that may be challenged include, but are not limited to, those regarding whether an event is covered by a scheme, the level of benefits payable by a scheme, and the duration of any benefits payable by a scheme.
- (d) An entity assesses the financial performance and financial position of a social benefit scheme on a regular basis where it is required to report internally on the financial performance of the scheme, and, where necessary, to take action to address any under-performance by the scheme. The assessment is expected to involve the use of actuarial reviews, mathematical modelling, or similar techniques to provide information for internal decision-making on the different possible outcomes that might occur.
- (e) Is there a separate entity established by the government, which is expected to act like an insurer in relation to a social benefit scheme? The existence of such an entity provides evidence that the entity is managing a scheme in the same way as an insurer would manage an insurance portfolio. However, it is not a requirement for applying the insurance approach that a separate entity has been established. Relevant international and national accounting standards dealing with insurance contracts apply to insurance contracts, not just to insurance companies.

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Appendix B

IPSASB Due Process Checklist

Project: Social Benefits

#	Due Process Requirement	Yes/No	Comments
A. Project Brief			
A1.	A proposal for the project (project brief) has been prepared, that highlights key issues the project seeks to address.	Yes	The IPSASB considered the project brief at its September 2013 meeting (see Agenda Item 6)
A2.	The IPSASB has approved the project in a public meeting.	Yes	See the minutes of the September 2013 IPSASB meeting (section 6)
A3.	The IPSASB CAG has been consulted on the project brief.	N/A	This step is not in effect for this project.
B. Development of Proposed International Standard			
B1.	The IPSASB has considered whether to issue a consultation paper, or undertake other outreach activities to solicit views on matters under consideration from constituents.	Yes	The IPSASB issued the Consultation Paper, Recognition and Measurement of Social Benefits , in July 2015. The consultation paper solicited views on options for accounting for social benefits. The minutes of the June 2015 IPSASB meeting (section 2) document the IPSASB review and approval of the consultation paper issued:
B2.	If comments have been received through a consultation paper or other public forum, they have been considered in the same manner as comments received on an exposure draft.	Yes	At its March 2016 meeting, the IPSASB discussed the responses to the Consultation Paper covering the scope of the project and the definitions (see Agenda Item 10 and section 10 of the minutes to the March 2016 IPSASB meeting). The IPSASB further discussed the responses received at its June 2016 and September 2016 meetings (see Agenda Item 6 and section 6 of the minutes of the June 2016 meeting ; and Agenda Item 7 and section 7 of the minutes of the September 2016 meeting). The IPSASB continued to discuss the project at its December 2016 and March 2017 meetings (see Agenda Item 8 and section 8 of the minutes of the December 2016 meeting ; and Agenda Item 8 and section 8 of the draft minutes of the March 2017 meeting).

Social Benefits (IPSASB Due Process Checklist)
IPSASB CAG Meeting (June 2017)

#	Due Process Requirement	Yes/No	Comments
B3.	The IPSASB CAG has been consulted on significant issues during the development of the exposure draft.	Yes	The CAG's views were sought at its June 2016 meeting (see Agenda Item 5 and section 5 of the minutes to the June 2016 CAG meeting). The IPSASB provided feedback to the CAG on how these views had been addressed at the December 2016 meeting of the CAG (see Agenda Item 3.2). This Agenda Item seeks the CAG's views on further significant issues arising from the responses to the Consultation Paper. The CAG's views will inform the IPSASB as it develops an exposure draft.
<i>D. Consideration of Respondents' Comments on an Exposure Draft</i>			
D4.	The IPSASB CAG has been consulted on significant issues raised by respondents to the exposure draft and the IPSASB's related responses.	No	
D5.	Significant comments received through consultation with the IPSASB CAG are brought to the IPSASB's attention. Staff have reported back to the IPSASB CAG the results of the IPSASB's deliberations on those comments received from the CAG.	No	

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Useful Links

[Consultation Paper, *Recognition and Measurement of Social Benefits*](#)

[At a Glance: *Recognition and Measurement of Social Benefits*](#) (summary document)

[Social Benefits: An Overview of the IPSASB Consultation Paper](#) (webinar)

Recommended Practice Guideline 1, [*Reporting on the Long-Term Sustainability of an Entity's Finances*](#)
(this document includes recommendations for reporting projections of future revenue and expenses, including social benefits)

IPSASB Social Benefits [project page](#)

Extract from Draft Minutes of the March 2017 IPSASB Meeting**8. Social Benefits (Agenda Item 8)***Scope and definitions*

Staff presented an issues paper that set out the scope of the project. Staff also presented draft definitions of, and guidance on, social benefits and social risks. Staff commented that the paper reflected the decisions made, and instructions given, by the IPSASB at its December 2016 meeting. Staff also commented that the paper included an alternative definition of social benefits, provided by an observer.

The IPSASB discussed the two definitions of social benefits. The IPSASB **decided**:

- To base the definition of social benefits on the definition developed by staff on the basis of previous discussions, not the alternative provided by an observer;
- Not to include a reference to “large segments of society” in the definition, but to address this in the supporting guidance;
- To remove the reference to benefits being provided “directly” to individuals and/or households; and
- To reflect the exclusion of “universally accessible services” in both the definition of social benefits and the scope section of the Exposure Draft (ED).

The IPSASB **decided** to include the following definition of social benefits in the ED:

“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.”

The IPSASB **instructed** staff to reorder the guidance on social benefits to align with the definition.

The IPSASB **instructed** staff to consider how to align the scope of the social benefits project with that of the non-exchange expenses project, and to bring proposals to the next meeting.

The IPSASB agreed with the staff proposal to defer decisions on the definitions of specific types of social benefits until decisions had been made on recognition and measurement. The IPSASB **instructed** staff to bring proposals regarding these definitions to a future meeting.

Insurance Approach

Staff presented an issues paper discussing how and when the insurance approach should be applied. Staff began the presentation with an education session on the IASB's draft IFRS 17, *Insurance Contracts*.

The IPSASB **decided** that the insurance approach could be applied to social benefit schemes that are intended to be fully funded from contributions, and where there is evidence that public sector entity manages the scheme in the same way as an issuer of an insurance contract. The IPSASB noted that the issues

paper included indicators of whether an entity was managing a scheme in the same way as an insurer. The IPSASB **instructed** staff to undertake further work with two IPSASB members with experience of insurance or insurance-like schemes, in order to determine whether any amendments to the indicators are required.

The IPSASB **decided** that the insurance approach should be optional for those schemes that meet the above criteria. The IPSASB accepted that this may not achieve consistency, but considered that, as the relevant insurance standard has not yet been issued, there would be capacity issues in the public sector if the insurance approach was mandated.

The IPSASB **decided** not to make any modifications to the forthcoming IFRS 17. Specifically, the IPSASB agreed:

- Not to include a modified definition of an insurance contract;
- That no specific requirements in respect of the premium allocation approach are required;
- Not to modify the IFRS 17 requirements in respect of discount rates; and
- Not to modify the IFRS 17 requirements in respect of risk adjustments.

The IPSASB acknowledged that retaining the IFRS 17 requirements in respect of discount rates and risk adjustments would have an impact on some preparers. The IPSASB **instructed** staff to include a discussion of these issues in the Basis for Conclusions, and to consider whether a specific matter for comment will be required in the ED.

The IPSASB considered that the CAG's input on the insurance approach would be valuable, and **instructed** staff to raise the following issues with the CAG:

- The IPSASB's proposals regarding the applicability of the insurance approach;
- The IPSASB's proposal that the insurance approach be optional; and
- The IPSASB's proposals regarding discount rates and risk adjustments.

Obligating Event

Staff presented an issues paper discussing the points at which an obligating event might arise under the Obligating Event Approach.

Staff proposed that the key participatory events obligating event not be included in the ED, for the reasons given in the draft Basis for Conclusions (BCs). A member raised concerns about the consistency with the treatment of financial guarantees in the Financial Instruments project. The IPSASB **instructed** staff to work with this member to refine the drafting of the BCs.

Staff also proposed that the liability accumulates over time approach not be included in the ED, for the reasons given in the draft BCs.

Subject to the clarification in respect of financial guarantees, the IPSASB **decided** not to include the key participatory event obligating event or the liability accumulates over time approach in the ED.

Staff presented proposals for determining in which circumstances the remaining two obligating events (eligibility criteria for the next benefit and threshold eligibility criteria) should be applied.

The IPSASB discussed the proposals. There was significant debate about whether "staying alive" should be considered as an implicit eligibility criterion that affects recognition, or whether "staying alive" only affects measurement. The IPSASB did not reach any conclusions on this issue.

The IPSASB referred to the discussion of non-exchange expenses earlier in the meeting, noting the need for consistency between the two projects. The IPSASB **instructed** staff to undertake further analysis to consider whether the recognition approaches for non-exchange expenses being considered in that project would be helpful in determining when to recognize an expense and liability related to a social benefit.

The IPSASB also **instructed** staff to consider how the proposals in the social benefits project relate to the treatment of collective goods and services, and universal benefits, in the non-exchange expenditure project.

Presentation and Disclosure

The IPSASB did not discuss the issues paper on presentation. The IPSASB agreed that members would provide staff with comments on this paper out of session.