Agenda Item 7: Social Benefits

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Social Benefits

Obligating Event Approach
(Agenda Item 7.1)

- Eligibility Criteria Met to Receive Next Benefit
- Claim Approved
- Payment Date Arrived
- Eligibility Criteria Initially Met
- Key Participatory Events
- Earliest Recognition Point

Eligibility criteria met to receive next benefit

Key Participatory Events Occur
Some but not all eligibility criteria may be met

Eligibility Criteria Initially Met

Threshold Eligibility Criteria

Eligibility Criteria Met to Receive Next Benefit

Approved Claim

Eligibility Criteria Met to Receive Next Benefit
Claim Approved
Payment Date Arrived

Latest Recognition Point

Earliest Recognition Point
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?
Social Benefits

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