

February 20, 2018

Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto, ON M5V 3H2 Canada

Re: Exposure Draft 63, *Social Benefits*

Thank you for the opportunity to comment on the proposals in IPSASB Exposure Draft 63, *Social Benefits* (ED 63). We commend the IPSASB for addressing this important and difficult public sector specific topic. Limited staff resources prevent us from commenting on all of the Specific Matters for Comment and the details of the proposals. Nevertheless, we want to go on record with our support for the pragmatic approach taken in ED 63.

Standard setting is an evolutionary process. Progress in improving the information provided in public sector financial statements for accountability and decision-making processes by users of the statements may need to be incremental, and is sometimes achieved through pragmatic compromise. The proposals in the ED represent such a compromise to those who believe that the obligating event for social benefit programs occurs earlier than proposed in the Obligating Event Approach in ED 63 for some programs, or would prefer that the Insurance Approach was not optional for qualifying programs.

Nevertheless, the proposals in ED 63 would, if adopted, represent a step forward in terms of getting information about social benefit programs recognized and disclosed in public sector financial statements. The IPSASB is building on the progress it achieved with the issue of Recommended Practice Guideline (RPG) 1, *Reporting on the Long-term Sustainability of Public Finances*, which provides guidance on presenting information, outside of the financial statements, about the capacity of an entity to provide social benefits at existing levels, to maintain existing taxation revenues and to meet its financial commitments.

The pragmatic proposals in ED 63 would facilitate the adoption of a financial statement recognition and disclosure standard on social benefits. Once information on social benefits is included in public sector financial statements, users will consider it and may ultimately demand more or different information on social benefit programs. This would provide the IPSASB with a future opportunity to

revisit a standard based on ED 63 in which it can reconsider the merits of the concerns raised in the Alternative View.

The fact that ED 63 does not include requirements for the Insurance Approach, but directs entities to apply relevant international or national accounting standards by analogy is also a good practical decision. This approach for an optional accounting treatment applying to only a specific subset of social benefit programs makes the best use of limited IPSASB resources by not duplicating the standards development work of the IASB in relation to IFRS 17, *Insurance Contracts*.

Please note that this letter represents the views of PSAB staff and not those of the Canadian Public Sector Accounting Board (PSAB).

Thank you again for the opportunity to provide you with input on this Exposure Draft. We hope you find our comments helpful.

Sincerely,

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