The Hungarian Actuarial Society (HAS) supports the position of the IAA as it is formulated by Social Security Committee in the letter to International Public Sector Accounting Standards Board (29 March, 2018) about IPSASB Exposure Draft 63 on Social Benefits.

We understand the difficulties of establishing the reporting rules resulting in comparable measures for such diverse social benefit as exist throughout the world. However, we strongly believe that in this area the point of reference – in consistency with the objective of such systems – are "National compulsory and contributory or non-contributory social protection schemes based normally on the principles of universality (i.e. covering the whole of a country's population) and unified general coverage against the risks of […] old age, unemployment, etc. […]" (ILO Thesaurus). It is well known that in most countries, especially in Europe, the financial arrangement funding these institutions is according to the pay-as-you-go model (unfunded) where present obligations are financed from earmarked tax on the insured population, called social security (pension) contributions through a dedicated government account, usually referred to as social benefit (pension, etc.) fund. Reporting obligations should take into these arrangements in the first place, and regard other cases as exceptions.

Having said that, we agree with the concepts which are expressed by the IAA in responding to Special Matters for Comment 3, 4 and 5. The main reason is that Social security benefit funds are special institutions by purpose and financing and operating long over the general planning horizon of other economic entities, and the scheme rules like access to the scheme, accrual of rights, benefit events, going concern and state guarantees are set out in national legislation.

As a general rule government finances use cash basis by the nature of revenues and obligations, even if it is long term, and therefore such funds are basically unfunded. Their sustainability and comparability decided taking into account this, the level of redistribution by the state in the economy and the long-term financing capability of the guarantor. We would not propose to use measures using the usual interest rate definitions and GDP based measures for comparisons.

This leads us to the comments on the last point, Special Matter 6 on disclosure and additional information and interpretations. In most economies social benefits financed by the state in a scheme open to all workers are the largest part of the state budget. However, there is still no universal measure available to assess its long term sustainability and affordability in a specific economy, still less comparing it with others. Therefore it would be advisable leave room for the competent interpretation of the results.

Comment was worded by:
Tibor Párniczky, member (HAS)

The Executive Board of HAS agrees with the opinion expressed and fully supports it.

31 March, 2018.