

October 25, 2021

United Nations Statistics Division
Intersecretariat Working Group on National Accounts
Two UN Plaza DC2-1516
New York, NY 10017
United States of America

Re: Guidance Note: "*F.12 Covering Hybrid Insurance and Pension Products*"

Thank you for the opportunity to provide input on the Guidance Note: "*F.12 Covering Hybrid Insurance and Pension Products*".

The following note has been developed by the IPSASB staff, with input from Ian Carruthers, IPSASB Chair. The views in this note are expressly those of IPSASB staff and the IPSASB Chair.

The IPSASB established a formal [policy](#) in 2014 to consider Government Finance Statistics (GFS) reporting guidelines in the development of International Public Sector Accounting Standards (IPSAS). As part of this process, IPSASB staff monitors the differences between IPSAS and GFS in a [Tracking Table](#). The IPSASB's policy was created to ensure that accounting concepts are aligned with relevant statistical guidance, when appropriate, so accrual accounting information can be used for decision-making purposes, including as relevant and reliable inputs for statistical reporting.

We favor Option 1 because:

- (a) It retains the narrow definition of social insurance pension schemes as employment-related schemes; and
- (b) Employer-independent pension schemes have a different economic nature from pension schemes covering the entire community or those based on an employer-employee relationship.


We recommend that employer-independent pension schemes to be included as a third type of social insurance scheme in paragraph 8.76 of the 2008 SNA, in addition to the social security schemes covering the entire community and the other employment-related schemes that derive from an employer-employee relationship.

Our responses to the Questions for Discussion are set out in the Appendix to this letter. If you have any queries or require clarification of any matters in this letter, please contact João Fonseca (joaofonseca@ipsasb.org).

Kind regards,



Ian Carruthers, IPSASB Chair



João Fonseca, Principal

APPENDIX

Questions for Discussion:

- 1) What option do you favor for the classification of hybrid insurance products (Option 1, Option 2, or Option 3)?
- 2) What option do you favor for the classification of autonomous, employer-independent pension schemes (Option 1, Option 2, or Option 3)?
- 3) Do you have any other comments/suggestions on the issues discussed in the GN?

We favor Option 1 for the reasons provided below.

Classification of Employee Benefits

IPSAS 39, *Employee Benefits*, which is aligned and consistent with IAS 19, *Employee Benefits*, provides a well-established definition and classification of employee benefits based on a single criterion: “all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment”.

This classification is broadly aligned with 2008 SNA.8.76(b), which states that other employment-related schemes (one type of social insurance scheme) derive from an employer-employee relationship in the provision of pensions.

The autonomous, employer-independent schemes or funds that the Guidance Note refers in paragraphs 15-18 appear to have a different economic nature from the social security schemes covering the entire community referred in 2008 SNA.8.76(a) and the employer-employee relationship-based schemes referred in 2008 SNA.8.76(b). Employer-independent schemes lack the employer-employee relationship and are not covering the entire community, which makes them economically different from the other pension schemes.

Therefore, we recommend retaining the classification of the employer-employee relationship-based schemes. Instead, we recommend the creation of a third type of social insurance scheme in paragraph 8.76 of the 2008 SNA with the criteria set forth in Option 2 for employer-independent pensions provided by autonomous pension schemes or funds for self-employed professionals. We also recommend that the recognition and measurement requirements of these employer-independent pension schemes to be consistent with the employer-employee pension schemes, to the extent possible.

Terminology, Recognition and Measurement of Employee Benefits

We also recommend that the terminology, and guidance related to the recognition and measurement of employee benefits in 2008 SNA to be aligned and consistent with IPSAS 39 and IAS 19 to the extent possible.