

PROJECT HISTORY

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September 2014: Staff presented an Issues Paper and a draft Consultation Paper (CP) on Social Benefits. The discussion focused on new material before addressing the revisions of the material presented at the June 2014 meeting.

Social Contract Approach

The IPSASB noted that it is important to include the social contract approach in the CP to demonstrate to respondents that the Board understands how the social contract operates. The approach is intended to provide a conceptual basis for the legal obligation approach. However, the IPSASB acknowledged that there are difficulties with this approach that will need to be discussed in the CP. These include:

- Recipients of social benefits are individuals and households, not society as a whole.
- The social contract may operate differently for different generational cohorts.
- The social contract may only work if the population of recipients is equal or close to the population of resource providers.
- The approach appears to recognize a liability dependent on its financing.
- The assumption behind this approach is social benefits are going to be paid for by resource providers. This is a testable assumption that may be difficult to apply in practice.

Social Insurance Approach

The IPSASB agreed that the social insurance approach should only be applicable to contributory schemes, but identified further issues to be addressed. The IPSASB noted that the social insurance approach implied a mixed approach to accounting for social benefits, whereas the other approaches identified in the CP could be applied to all social benefit programs. The Board acknowledged that this may be appropriate.

The IPSASB supported the proposals in the CP for initial recognition under the social insurance approach, and identified a further option to be included (where a government subsidy is in the form of a loan). The IPSASB noted that the uncertainty regarding future cash flows, and hence the deficit, increased for programs of longer duration. The Board noted that the different treatments reflected different perspectives. These perspectives should be explained in the CP.

The IPSASB agreed the CP should ask respondents whether assumption price or cost of fulfillment should be used as the measurement basis under the social insurance approach, rather than set out a proposal.

Regarding the nature of the contribution under the social insurance approach, the IPSASB agreed the CP should include criteria for determining whether this approach meets user needs for financial reporting.

Other Matters

Staff was directed to review the flow of the text in Chapter 2 (social benefit programs) and the relationship with the definitions and classification approach in Chapter 3. The IPSASB supported the provision of the

examples in Appendix A, and agreed that each example should have its own section on the application of the CP.

The IPSASB agreed that the CP should seek to identify the overall presentation objective and ensure disclosures met user needs.

The IPSASB agreed that Appendix B (Evaluation of Options against the Objectives of Financial Reporting and the QCs) should be extended to include the Conceptual Framework discussion of user needs.

The IPSASB agreed not to include the implications for existing IPSASs in the CP.

The IPSASB reviewed the revisions to the chapters considered at the June 2014 meeting and proposed further developments.

June 2014

The IPSASB discussed an Issues Paper and chapters of a draft Consultation Paper:

Structure of the Consultation Paper

The IPSASB agreed that:

- The summary of social benefits programs in various jurisdictions should be presented before the discussion on the scope of the project;
- There should be a section of the Consultation Paper dealing with the implications of the Conceptual Framework on the project;
- There should only be one chapter per option.

If further options are identified, additional chapters will be included that discuss these options. Additional options would need to include new principles rather than discussing the accounting treatment in specific jurisdictions.

Consistency with Government Finance Statistics (GFS)

The GFS definition of social benefits includes exchange transactions. The IPSASB agreed that the scope of the project should exclude social benefits that are covered in existing IPSASs (employee benefits and financial instruments) but should not exclude other social benefits provided through exchange transactions.

Collective Goods and Services

The IPSASB confirmed its previous decision that the scope of the project should exclude collective goods and services. In doing so, Members noted that the distinction between collective and individual goods and services was not always clear cut.

Phased Approach

The IPSASB agreed that the Consultation Paper should address concepts and principles and seek respondents' views as to whether these were equally applicable to cash transfers and social transfers in kind. Decisions on the approach to developing an ED would be taken following an analysis of the results of the consultation.

Definitions

The IPSASB agreed that the definitions and classifications in the project should align with those in GFS as far as possible. The definitions in the draft CP were generally supported. "Social insurance" will also be

defined. References to benefits being “dependent on contributions” should be amended to “evidenced by contributions”.

Option 1 – Obligating Events

The IPSASB agreed that this option should be more closely aligned with the Conceptual Framework and its definitions.

The IPSASB noted that whether an obligating event occurs earlier for a contributory program may depend on the program. The information needs may be different for contributory programs.

At this stage, the Consultation Paper will be seeking respondents’ views, and should include all factors that may impact on recognition.

Option 1 – Measurement

The IPSASB supported the use of the cost of fulfillment. Members also commented that some social insurance programs use reinsurance and hence the cost of release may be appropriate for some programs. Members noted that assumption price is likely to be relevant to the social insurance model.

The IPSASB agreed that the reference to including assets in the measurement of a program’s financial position should be expanded to include the discussion as to whether assets and liabilities should be shown net or gross, and whether the expected return on the assets should impact the discount rate used for the liability.

March 2014

The IPSASB considered an Issues Paper on Social Benefits, and noted the work that had been undertaken previously on this topic. Members agreed that the preliminary research should include national practices, national standards, and discussion papers issued by national standard setters. The IPSASB noted that GFS reporting guidelines are introducing compulsory supplementary tables on social benefits from 2017.

The IPSASB considered the scope of the project. The approved project brief excluded collective goods and services but included individual goods and services and cash transfers. Members identified the main options for the scope of the project as:

- A wider scope including collective goods and services (or even all non-exchange expenses);
- Retaining the scope in the project brief; and
- A narrower scope that only includes cash transfers.

Following discussion, the IPSASB agreed that the Consultation Paper (CP) should:

1. Discuss the scope of the project.
2. Include a Preliminary View that there should be two phases to the project, with the first phase considering cash transfers only and the second dealing with individual goods and services; the two phases should run sequentially rather than in parallel.
3. Include proposals regarding the current scope exclusion in IPSAS 19.
4. Include an explanation for the exclusion of collective goods and services.

The IPSASB agreed that the three theoretical approaches identified in the Issues Paper (IPSAS 19 basis; ‘grand’ executory contract; and insurance contract) should be included in the CP. Members did not identify any further approaches. The IPSASB noted that the different approaches addressed different perspectives, and that it may be appropriate to use a combination of the different approaches. The IPSAS 19 approach

provides information about present obligations. The 'grand' executory contract approach provides information on the social contract between service recipients and the reporting entity. The insurance contract approach could provide information on social insurance schemes. The provision of social benefits through funds does not raise any additional issues regarding the recognition of a liability. However, the CP will need to consider the circumstances in which consolidation might be required.

The IPSASB agreed that detailed presentation requirements should not be included in the CP. Instead, the paper should focus on establishing what information was required to meet the objectives of financial reporting and users' information needs, in line with the qualitative characteristics and constraints.

The IPSASB considered the issues in respect of each theoretical basis listed in the Issues Paper. It agreed these should be included in the CP. The IPSASB agreed that the CP should seek to align with the definitions and categorizations used in GFS. Alignment with the GFS approach to recognition could only be addressed once responses to the CP had been received and considered.

September 2013

The IPSASB considered a project brief on accounting for social benefits. The project brief highlighted the considerable amount of work that the IPSASB (and its predecessor, the Public Sector Committee) had carried out on social benefits prior to the deactivation of the project in 2008. The outputs included an Invitation to Comment, *Accounting for Social Policies of Governments*, and Consultation Paper, *Social Benefits: Issues in Recognition and Measurement*. It was noted that the IPSASB had been developing proposals for an ED based on a modified due and payable approach, but that this approach had been reevaluated in late 2006. The project had been deactivated in 2008, because of the linkage of key areas with the Elements and Recognition phase of the Conceptual Framework project, particularly the definitions of an asset and a liability.

The IPSASB considered a view that the scope of the project should be narrow and exclude what had been termed collective goods and services (for example, defense, policing and, criminal justice) where there had been virtual unanimity amongst consultation respondents and IPSASB members that, if a present obligation arises at all, this is not prior to the delivery of services. The IPSASB explored an alternative view that the project should be broad in scope and address all expenses arising from non-exchange transactions, rather than just those related to social benefits. The IPSASB acknowledged the rationale for a broader scope project, but in view of the importance of addressing a key area of the operations of many governments and other public sector entities it was decided to limit the scope of the project to social benefits. Collective goods and services will not be within the definition of social benefits.

In light of the considerable work carried out in this area the IPSASB considered whether it is necessary to develop a Consultation Paper rather than going straight to ED stage. Going straight to ED stage would probably allow the project to be completed in 2015 rather than late 2016 or early 2017. The IPSASB decided that in view of the time since the publication of the last Consultation Paper and the importance of the area a new Consultation Paper should be developed. Development of a Consultation Paper would also allow the IPSASB to consider developments since early 2008 and to discuss complex issues such as social security systems, which operate as social assistance and social insurance schemes.

The IPSASB approved the project brief.

March 2012

The IPSASB holds an education session on the accounting treatment of social benefits in France. Members had a number of questions and comments on the presentation, but no decisions were made.

September 2011

IPSASB holds an education session on social benefits, which outlines the history of the project and the major issues. It also considers the approach to social benefits in statistical accounting and a developing approach in New Zealand which uses insurance accounting to provide information on certain programs, which have characteristics of insurance schemes. No decisions are made whether, and if so, when to reactivate the project.

June 2011

The IPSASB considers a draft Project Brief on social benefit obligations. No decision is made on whether to reactivate the project, but the IPSASB decides to hold an education session on this topic at its September 2011 meeting.

October 2008

IPSASB reviews responses to ED 34, *Social Benefits: Disclosure of Cash Transfers to Individuals or Households*. IPSASB decides not to develop ED 34 into an IPSAS. IPSASB makes tentative decisions on modifications to definitions.

IPSASB also reviews responses to Consultation Paper, *Social Benefits: Issues in Recognition and Measurement*. The IPSASB notes that: a large majority of respondents agreed that the general purpose financial statements cannot convey sufficient information about the financial condition of governmental programs providing social benefits. It was also noted that under the current principles in IPSAS 19:

- A majority of respondents do not think that present obligations arise for collective goods and services;
- A majority of respondents expressing a view do not think that a present obligation arises for cash transfers until all eligibility criteria have been satisfied, regardless of whether a program is contributory; and
- A majority of respondents expressing a view think that a present obligation for individual goods and services arises when all eligibility criteria have been satisfied.

The IPSASB decided that proposals for recognition and measurement should now be closely linked to work in Phase II of the Conceptual Framework project dealing with elements, particularly the definition of a liability.

March 2008

A [package of documents](#) comprising ED 34, *Social Benefits: Disclosure of Cash Transfers to Individuals or Households*, Consultation Paper, *Social Benefits: Key Issues in Recognition and Measurement* and a Project Brief on *Long-Term Fiscal Sustainability Reporting* published with a comment date of July 15, 2008.

February 2008

IPSASB approved Consultation Paper *Social Benefits: Key Issues in Recognition and Measurement*.

November 2007

The IPSASB approved ED 34 *Social Benefits: Disclosure of Cash Transfers to Individuals or Households*. The IPSASB also reviewed a Consultation Paper *Social Benefits: Key Issues in Recognition and Measurement* and a Project Brief on *Long-Term Fiscal Sustainability Reporting*.

Further, the IPSASB agreed the components of the Consultation Paper dealing with its strategic approach and gave further directions for modifications to sections dealing with recognition and measurement. The substantive content was largely agreed, but staff was directed to include more contextual linkage with the conceptual framework project.

The documents will be issued for public comment as a single package in the first quarter of 2008.

July 2007: The IPSASB considered a draft of an ED dealing with the disclosure of amounts to be transferred to eligible participants. They make or confirm existing decisions on numerous issues including the:

- title;
- scope;
- definitions;
- disclosures;
- specific matters for comment; and
- basis for conclusions.

They agreed the ED will incorporate a statement on the IPSASB's strategic approach to accounting for social benefits.

The IPSASB also considered a draft Consultation Paper on *Social Benefits: Issues in Recognition and Measurement* and overall have no significant amendments.

The IPSASB plans to issue a package of documents comprising the ED, Consultation Paper and a Project Brief on Long-Term Fiscal Sustainability after November 2007.

March 2007

The IPSASB affirmed its tentative decision from November 2006 to develop an ED dealing only with disclosure rather than recognition and measurement. It will deal with the disclosure of amounts to be transferred to those eligible at the reporting date and not the disclosure of liabilities.

The ED will:

- provide minimum requirements for the disclosure of amounts to be transferred to those meeting threshold eligibility criteria for cash transfer programs at the reporting date. The minimum amounts

disclosed will be actuarially based assessments of the present value of the cash flows to provide benefits to all those who have met threshold eligibility criteria at the reporting date;

- have a new section on the determination of the minimum amount to be disclosed to those meeting eligibility criteria at the reporting date;
- not propose disclosure requirements for collective goods and services and individual goods and services;

The disclosures will be only for outflows and will not include inflows from contributions, earmarked taxation and general taxation.

There will not be requirements for disclosure of trend information i.e. information covering the current reporting period and four previous reporting periods.

The IPSASB will develop a separate consultation paper, dealing with contentious issues on recognition and measurement.

November 2006

The IPSASB reviewed the 5th draft of an ED on Social Policy Obligations that incorporates social security pensions. There is concern:

- on the extent of the liabilities to be recognized under the ED with the view that, in some cases, particularly for contributory programs, present obligations arise well before the satisfaction of all eligibility criteria; and
- that some jurisdictions will be unprepared for requirements that involve the recognition of large liabilities.

The Board tentatively decided to develop a standard on presentation and disclosure. As such the IPSASB directed development of a revised draft ED that:

- includes within its scope social security pensions;
 - deals only with the presentation and disclosure of liabilities related to social benefits;
 - reflects that a present obligation for cash transfers arises when all eligibility criteria have been satisfied and that present obligations do not arise to beneficiaries for collective and individual goods and services;
 - requires that the amount of the liability disclosed that arises from such a present obligation is the amount that the entity has no realistic alternative but to settle at the reporting date;
 - reflects the revalidation of eligibility criteria by individuals who have met threshold eligibility criteria is a measurement attribute rather than a recognition criterion;
 - the disclosure requirement applies to all major cash transfer programs, including social security pensions; and
 - does not include requirements for disclosures related to contingent liabilities.
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July 2006

The IPSASB reviewed the 4th draft of an ED on Social Policy Obligations (excluding Social Security Pensions), further extracts of an ED on Social Security Pensions, and a key issues paper on present obligations and contributory social security pensions.

Key points from the meeting were:

- agree that requirements related to social security pensions should be integrated into single ED for Social Policy Obligations which has within scope all social benefits provided in non-exchange transactions;
- general acceptance that present obligations arise when all eligibility criteria have been satisfied, regardless of whether a program is financed or partially financed through contributions or earmarked taxes;
- reconsideration of whether a revised combined ED should include requirements for disclosure of projected future costs of social security pension programs and other major cash transfer programs and reaffirmation that such requirements should not be included; and
- measurement requirement that "the amount recognized as a liability for cash transfers shall be the amount on next payment accrued to reporting date unless governing legislation or regulations specify otherwise".

March 2006

The IPSASB reviewed a 3rd draft of an ED on Social Policy Obligations (excluding Pension Arrangements) and further extracts of a draft ED on Social Security Pensions.

On Social Policy Obligations the IPSASB directed developing an ED that:

- reflects that a present obligation for cash transfers arises when all eligibility criteria have been satisfied;
- reflects that the amount of the liability that arises from such a present obligation is the amount that the entity has no realistic alternative but to settle;
- does not require the disclosure of liabilities arising from social benefits as a separate line item in the Statement of Financial Position;
- does not require disclosures of the present value of future cash transfers related to major cash transfer programs; and
- includes within its scope, age-related cash transfers and age-related goods and services, but not social security pensions (basic/welfare and general/contributory pensions).

Members also agreed:

- development of a key issues paper exploring whether present obligations for social security pensions might arise at different points depending on the nature of the social security system; and
- modifying the scope of the ED extracts so that they deal only with social security pensions (basic/welfare and general/contributory) and not with age-related cash transfers and age-related goods and services (see project on Employee Benefits).

November 2005

The IPSASB reviewed a 2nd draft of an ED on Social Policy Obligations (other than Pensions) and further extracts of a draft ED on Basic/Welfare.

On Social Benefits (other than Pensions) the IPSASB directed an approach that:

- eliminates the black letter distinction between collective and individual goods and services;
- present obligations for collective and individual goods and services do not arise until the goods and services are delivered;
- present obligations for cash transfers are limited to amounts "due and payable" at the reporting date;
- "Staying alive" is only an eligibility criterion where the legislation or regulations governing a particular social program explicitly state that it is; and
- disclosures should be developed on the sustainability of major social benefit programs.

July 2005

The IPSASB reviewed a 1st draft of an ED on Social Benefits other than pensions and extracts of a draft ED on Basic/Welfare Pension.

The IPSASB directed that:

- "Staying alive" is an eligibility criterion rather than measurement attribute and operates as an implicit eligibility criterion for individual goods and services and cash transfers;
- rebuttable presumption that a present obligation in relation to collective and individual goods and services does not arise prior to delivery of those goods and services should be deleted.

March 2005

The IPSASB agreed to split the project as follows:

- Social Benefits other than Pensions (and similar social benefits);
- Basic/Distress pensions (and similar social benefits) (basic/ distress later renamed basic/welfare); and
- Global pensions, requiring a contribution by or on behalf of members and where benefits are related to the amount of contributions made (later termed general/contributory pensions).

November 2004

ITC responses reviewed - key issues include:

- scope - did not adequately address certain types of social security systems operating to provide pension benefits to government and other employees in many countries;
- having a separate ED on pensions;

- support for application of definition and recognition criteria in IPSAS 19 *Provisions, Contingent Assets and Contingent Liabilities*; and
 - whether "staying alive" is a recognition or measurement issue.
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November 2003

ITC *Accounting for Social Policies of Government* approved.

July 2003

Draft ITC reviewed with different views on crystallization of an obligating event for old age pensions. Also reservations with the view that a present obligation for pensions arises on work force entry and potential implications for other long-term social programs.

March 2002

Project brief agreed.