

## **IPSASB: Latest progress with the pension liabilities and social benefits**

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IPSASB Chair

IMF Government Finance Statistics  
Advisory Committee

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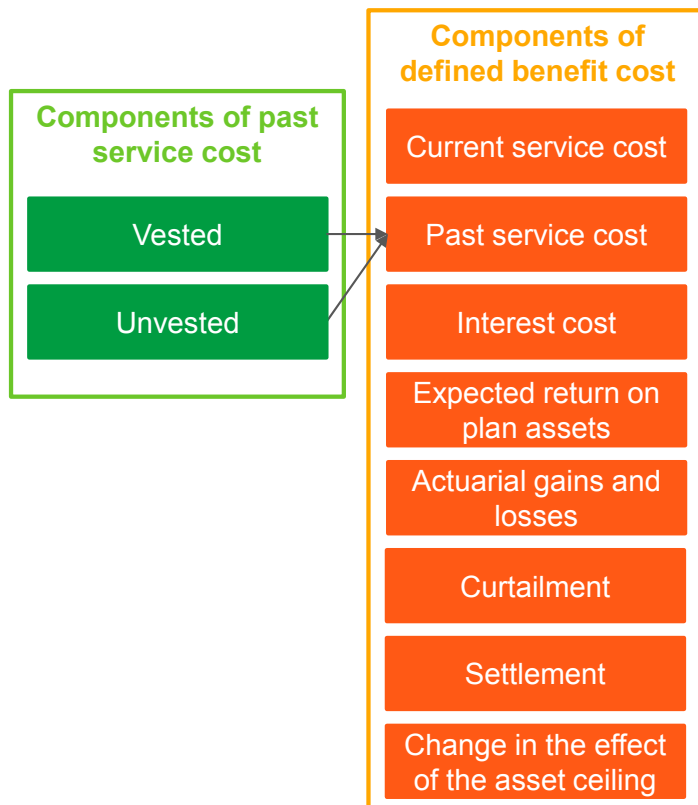
## Pensions: IPSAS 39, *Employee Benefits*

- June 2016 – Approval of IPSAS 39
- Supersedes IPSAS 25 (2008), *Employee Benefits*
- IPSAS 39 is drawn primarily from IAS 19 (2011), *Employee Benefits*
- Effective date January 1, 2018, with earlier adoption encouraged
- Includes public sector specific requirements on:
  - Discount rate to estimate post-employment benefit obligations;
  - Rebuttable presumptions on long-term disability payments and state plans; and
  - Additional guidance on public sector bonus plans.
- Different terminology (“revenue” vs “income”)

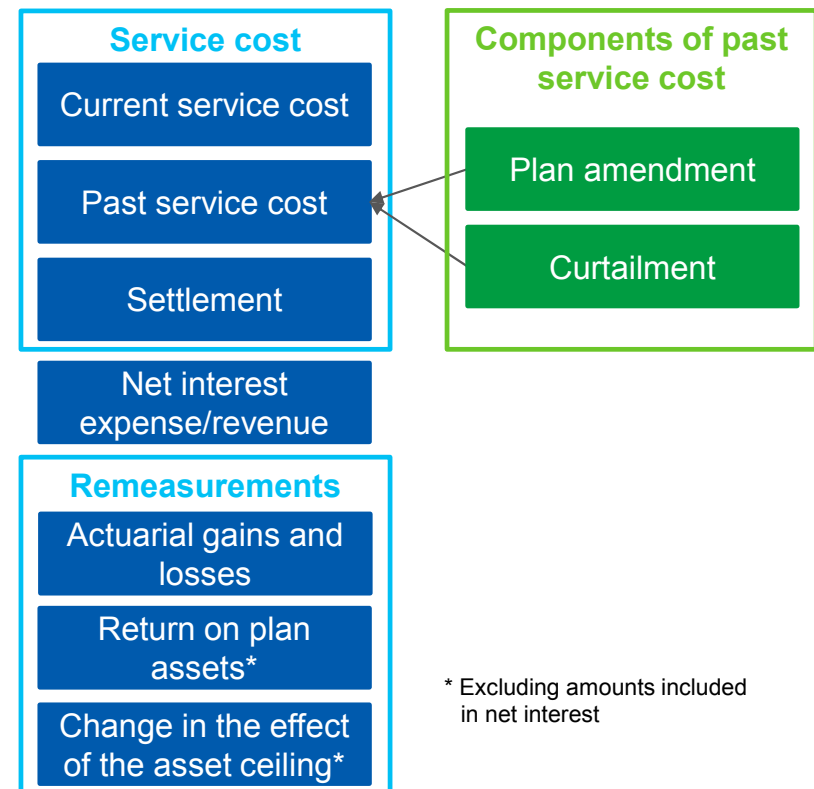
# Pensions: Defined benefit plans

- New components of defined benefit cost

## IPSAS 25

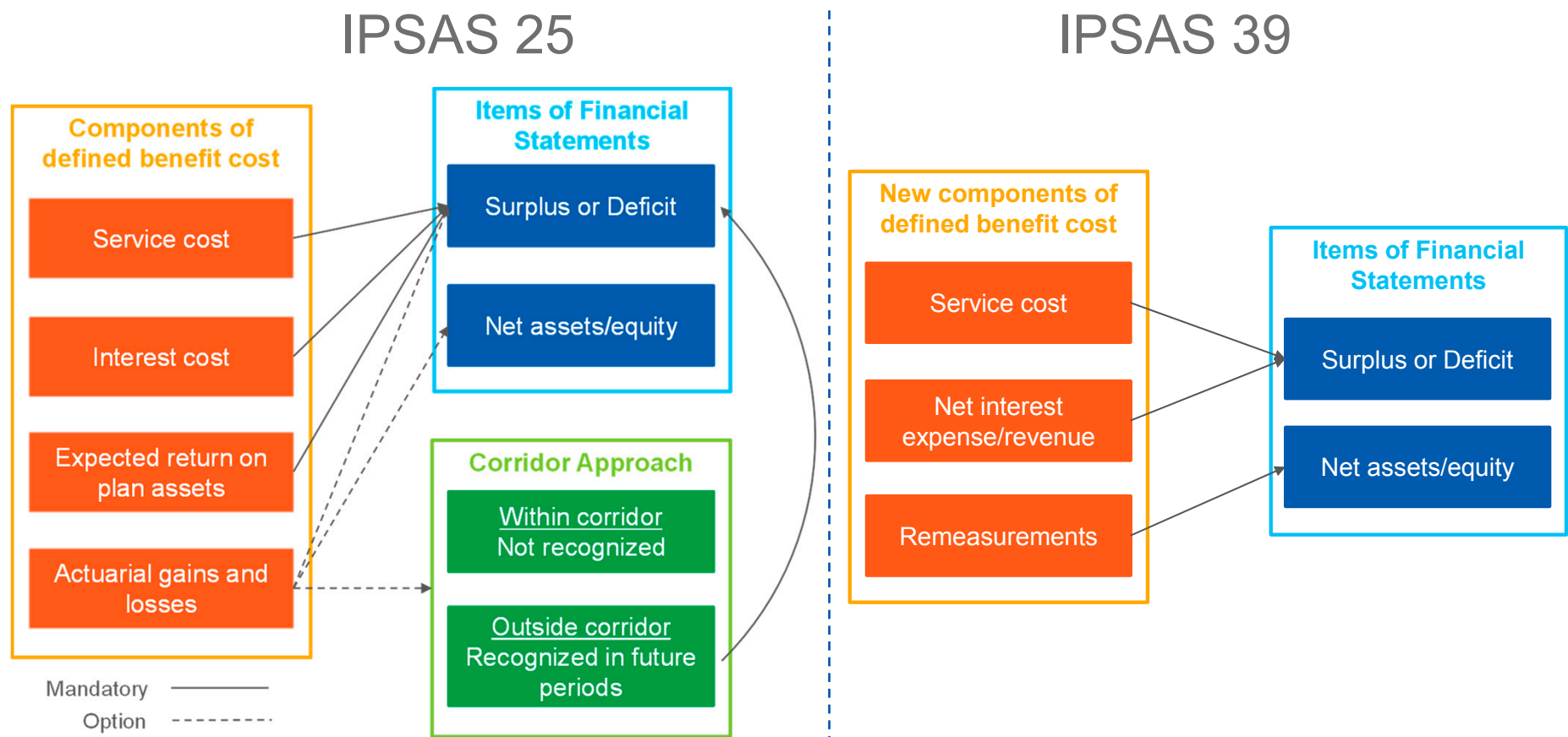


## IPSAS 39



# Pensions: Defined benefit plans

- Removal of the “corridor approach”



## Pensions: Defined benefit plans

- Introduction of the net interest approach



- **Net defined benefit liability** = financing amount owed by the entity to the plan
- **Economic cost of financing** = interest cost
- **Interest cost** arises from the passage of time
- **Same discount rate** for defined benefit obligation and plan assets

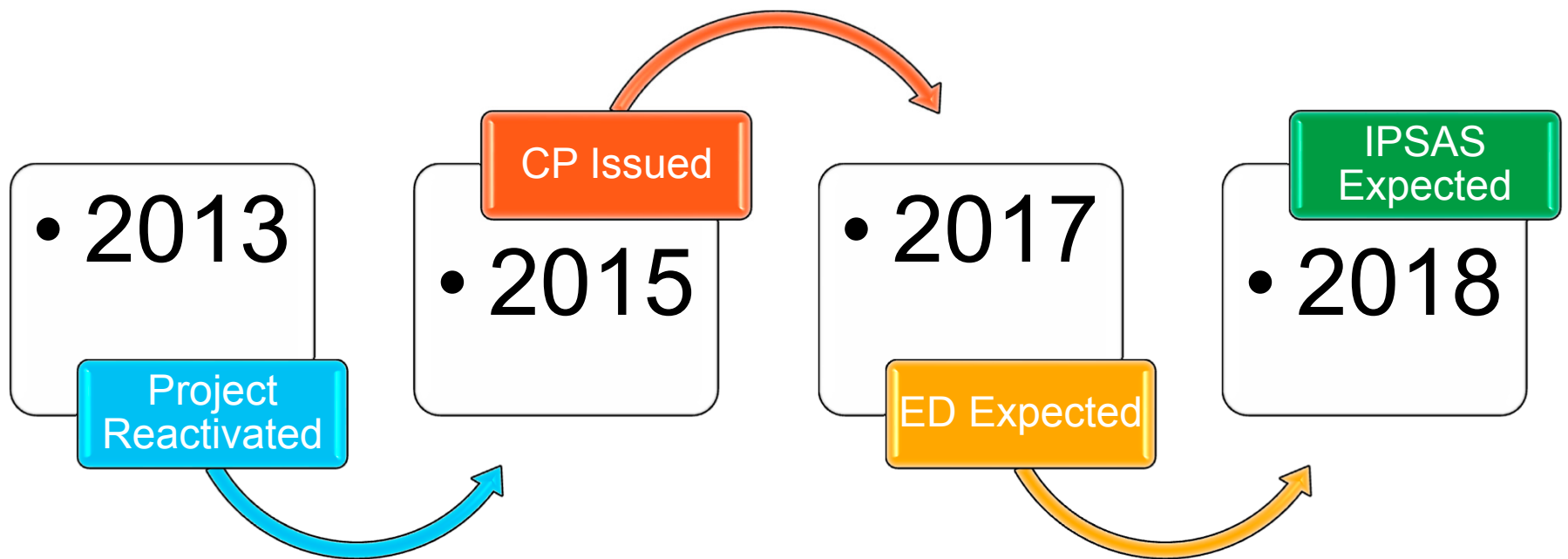
**Single recognition  
of net interest  
expense/revenue in  
surplus or deficit**

# Pensions: Defined benefit plans

- **Comparison with Government Finance Statistics (GFS)**

	IPSAS 39	GFS
<b>Terminology</b>	<ul style="list-style-type: none"> <li>• Past Service Cost</li> <li>• Interest Cost</li> </ul>	<ul style="list-style-type: none"> <li>• Past service</li> </ul>
<b>Actuarial method</b>	<ul style="list-style-type: none"> <li>• Projected unit credit</li> </ul>	<ul style="list-style-type: none"> <li>• Accrued benefit obligation</li> <li>• Projected benefit obligation</li> </ul>
<b>Actuarial assumptions</b>	<ul style="list-style-type: none"> <li>• Unbiased and mutually compatible</li> </ul>	<ul style="list-style-type: none"> <li>• Not addressed</li> </ul>
<b>Risk-sharing</b>	<ul style="list-style-type: none"> <li>• Addressed in recognition and measurement</li> </ul>	<ul style="list-style-type: none"> <li>• Not addressed in recognition and measurement (only in classification)</li> </ul>
<b>Discount rate</b>	<ul style="list-style-type: none"> <li>• Reflects the time value of money</li> </ul>	<ul style="list-style-type: none"> <li>• Appropriate discount rate</li> </ul>
<b>Net interest approach</b>	<ul style="list-style-type: none"> <li>• Yes</li> </ul>	<ul style="list-style-type: none"> <li>• <b>No imputed property income</b> on claim of pension fund on pension managers</li> </ul>

# Social Benefits: Project Timeline



# Social Benefits: Latest Coverage

## Projects

Social Benefits

Non-Exchange  
Expenses

IPSAS  
39

Social  
Assistance  
(Excluding  
Universal  
Services)

Social  
Security  
(Excluding  
Universal  
Services)

Universal  
Services and  
Other  
Transfers In  
Kind

Collective  
Goods and  
Services

Employment  
Related  
Social  
Insurance



# CP: Recognition and Measurement Options

## Option 1

- Obligating Event Approach

## Option 2

- Social Contract Approach

## Option 3

- Insurance Approach

## CP: Recognition and Measurement Options

### Option 1

- Obligating Event Approach

### Option 2

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### Option 3

- Insurance Approach

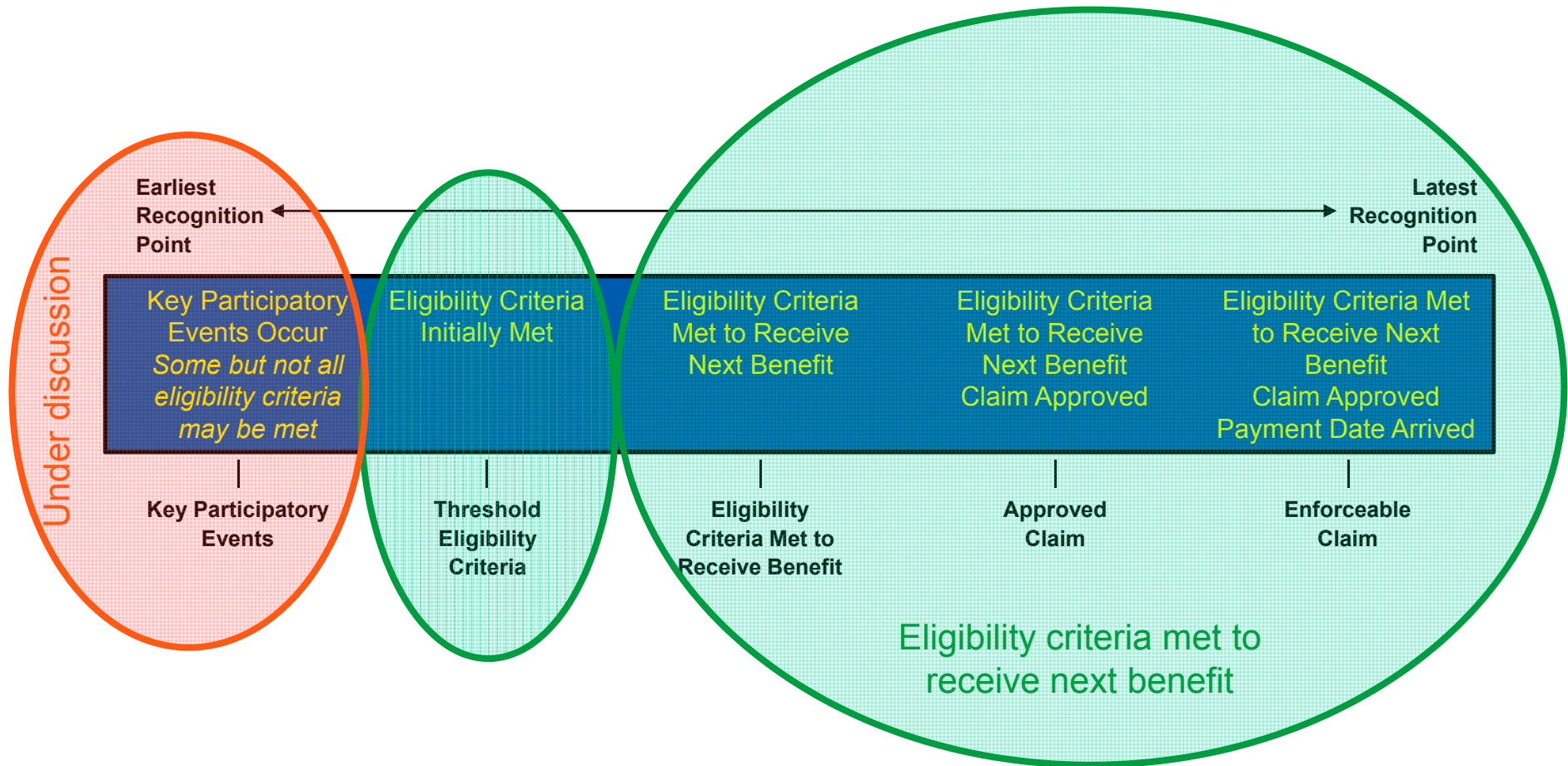
# Social Benefits: Insurance Approach

Apply forthcoming IFRS on insurance contracts

Use insurance approach when:

- Intended to be fully funded from contributions
- Managed in the same way as an insurer manages insurance contracts
  - Limited ability to change scheme
  - Separate fund or earmarked asset
  - Participants have enforceable rights
  - Separate entity strengthens case

# Social Benefits: Obligating Event Approach



# Social Benefits: Comparison with GFS

## Scope

- IPSASB and GFS similar
- Scope based on social risks
- Unlike GFS, IPSASB excludes universal services

## Sub-categories

- GFS has sub-categories for social assistance, social security, etc.
- IPSASB - no decisions at this point

## Recognition and measurement

- IPSASB and GFS could be different
- GFS – expense recorded when transfer due
- IPSASB – expense recorded when liability incurred – usually earlier than transfer

## Questions, discussion & further information



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