ASSOCIATION ACTUARIELLE INTERNATIONALE
INTERNATIONAL ACTUARIAL ASSOCIATION

January 29, 2016

The Technical Director
International Public Sector Accounting Standards Board
529 Fifth Avenue
New York NY 10017
United States of America

Dear Sir,

Re: IAA comments on the IPSASB Consultation Paper on *Recognition and Measurement of Social Benefits*

In response to the request for comments on the July 2015 Consultation Paper on *Recognition and Measurement of Social Benefits*, I am pleased to transmit on behalf of the International Actuarial Association (IAA) our comments and recommendations.

Our comments are structured around the specific matters for comment in the Consultation Paper using the comment template. In addition, we preface our comments with more general remarks immediately below.

Social benefit programs take many different forms in different countries and with differing scope. It is ambitious to cover all in one standard; we suggest that it may be sensible to limit the scope. In particular, we are concerned that the position of health-related programs is not clear. These may take a variety of forms, from social insurance based to government financed, in some cases including private insurance. We suggest covering health-related programs in a separate standard or expanding this standard to address these different forms.

Social security programs range from those which are financed by government out of general revenue through to social insurance programs which are intended to be essentially self-supporting on the basis of contributions from employers and employees. Benefits under the former can usually be significantly amended by governments passing legislation (for example, to raise the eligibility age or tighten other criteria for eligibility for benefits). Thus, it may be misleading to recognise future benefits from these programs as liabilities in public sector accounts when they may not turn out to be obligations at all.

Social insurance programs, by contrast, are almost always financed using an open group funding methodology, under which future contributions are treated as an asset or contra-liability (alongside any current investments), and all benefit expenditures, contribution income and investment income, if any, are considered for all generations in the program over a relevant period, including people not yet born and those not yet in the workforce, as well as active contributors and current benefit recipients.

Secretariat: 99 Metcalfe, Ottawa, ON Canada K1P 6L7 Tel.: +1-613-236-0886 Fax: +1-613-236-1386
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We recognise that this presents a challenge from an accounting perspective, since it would be unusual to recognise future liabilities in respect of those who are not yet covered by the program. However, in adopting accounting conventions caution is needed not to provide information which is of no value to the intended users, since it is not consistent with the financing methodology, and may be misleading in the messages it conveys. As mentioned above, this applies in particular to balance sheet liabilities which may not be liabilities at all because the government can amend the legislation and implicit social security debt figures which assume a termination approach to funding as in private sector pension plans, rather than recognising the open group funding methodology on which many such programs are financed.

As a result, we strongly recommend that there should be a requirement for full disclosure of long-term sustainability information on an open group basis in the notes to the accounts.

As the unique supranational organisation representing professional actuarial associations around the world, we respectfully recommend that attention should be paid to the need for appropriate actuarial techniques to be adopted in placing a present value on future cash-flows, for example to estimate the future value of payments triggered by an obligating event (e.g. claim liabilities). We suggest that the standard should provide for the involvement of appropriate experts in making such claim liability and open group funding assessments. We respectfully submit that qualified actuaries are the relevant experts for making such assessments of future cash-flows and their present values. Qualified members of the actuarial associations which make up the International Actuarial Association are required to meet high standards of competence and professional conduct and are well suited to carry out such tasks in the public interest.

We also recommend that there should be strong encouragement to convey the degree of uncertainty as part of disclosure associated with projections of these programs. Actuarial techniques such as sensitivity-testing or stress-testing, with or without the use of stochastic models, can be used to illustrate uncertainty in the cash-flow estimates and corresponding capitalised values. Attention should also be paid to the need for full disclosure of assumptions and methodology adopted.

These comments have been prepared by the IAA Social Security Committee. The IAA would very much welcome the opportunity to discuss these ideas further with you and to cooperate with IPSASB in the development of the eventual standard. We suggest that a fruitful way forward might be to establish a joint working party of the IPSASB and the IAA, to include expert actuarial practitioners in this field, which could help the IPSASB to develop their ideas with access to actuarial expertise.

Yours sincerely,

M. Campbell

Malcolm Campbell
President

Attachment: IAA comments

Secretariat: 99 Metcalfe, Ottawa, ON Canada K1P 6L7 Tel.: +1-613-236-0886 Fax: +1-613-236-1386
secretariat@actuaries.org / secretariat@actuaires.org — www.actuaries.org / www.actuaires.org

Comments by the International Actuarial Association on the IPSASB Consultation Paper – Recognition and Measurement of Social Benefits

International Actuarial Association and its Due Process

The International Actuarial Association (the "IAA") represents the international actuarial profession. Our sixty-seven Full Member actuarial associations, listed in Appendix A to this statement, represent more than 95% of all actuaries practicing around the world. The IAA promotes high standards of actuarial professionalism across the globe and serves as the voice of the actuarial profession when dealing with other international bodies on matters falling within or likely to have an impact upon the areas of expertise of actuaries.

We are pleased to be given the opportunity to provide input to the IPSASB on this important consultation paper. These comments have been prepared by the Social Security Committee of the IAA, whose members are listed in Appendix B to these comments. It has also been subject to the due process required for it to constitute a formal view of the IAA, and will be posted to the IAA's official web site.

Our comments are as follows:

Preliminary View 1 (following paragraph 2.50)

Social Benefits are benefits provided to individuals and households, in cash or in kind, to mitigate the effect of social risks.

The other key definitions are as follows:

(a) **Social risks** are events or circumstances that may adversely affect the welfare of individuals and households either by imposing additional demands on their resources or by reducing their income.

Social benefits are provided to mitigate social risks in the following circumstances:

- Households could receive benefits when they meet certain eligibility criteria that originate from a social risk without making any contributions;
- Households could make contributions and receive benefits in the event of the occurrence of the specified social risks; and
- Households could make contributions to a scheme to accumulate entitlements to future benefits, with the benefits being provided following the occurrence of the specified social risk.

(b) **Social Benefits in Cash** are social benefits paid in cash, by or on behalf of a public sector entity, that allow individuals and households to use this cash indistinguishably from income from other sources. Social benefits in cash do not include reimbursements.

(c) **Social Benefits in Kind** are goods and services provided as social benefits to individuals and households by or on behalf of a public sector entity, and all reimbursements for the costs incurred by individuals and households in obtaining such goods and services.

(d) **Reimbursements** are cash payments made as a social benefit by or on behalf of a public sector entity to compensate a service provider or an individual or household for all or part of the expense incurred or to be incurred by that individual or household in accessing specific services.

(e) **Social Insurance** is the provision of social benefits where the benefits received are conditional on participation in a scheme, evidenced by way of actual or imputed contributions made by or on behalf of the recipient. Social insurance may form part of an employer-employee relationship (employment-related social insurance) or may arise outside an employer-employee relationship (social security).

(f) **Social Security** is social insurance that arises outside of an employer-employee relationship, and provides benefits to the community as a whole, or large sections of the community. Social security is imposed and controlled by a government entity.

(g) **Social Assistance** is the provision of social benefits to all persons who are in need without any formal requirement to participate as evidenced by the payment of contributions.

Specific Matter for Comment 1 (following paragraph 2.50)

In your view:

(a) Is the scope of this CP (i.e., excluding other transfers in kind, collective goods and services, and transactions covered in other IPSASs) appropriate?

(b) Do the definitions in Preliminary View 1 provide an appropriate basis for an IPSAS on social benefits?

Please explain the reasons for your views.

(a) No. We do not consider the scope of the CP to be sufficiently well defined or entirely logical. We assume that the intention is to exclude directly government-financed national health services, as otherwise it would follow that all government expenditure should be included. However, there are many different forms of legislated health insurance programs which are similar in nature to other social insurance programs and may involve cash payments towards prescriptions, medical consultations, reimbursement of medical costs, etc. To the extent that health-related services are collective goods and services or transfers in kind, they appear to be specifically excluded – but there is no clear distinction made between health insurance which reimburses monetary amounts and health services which provide only benefits in kind. Sometimes benefits may take the form of services and sometimes financial contributions toward the cost of the service. Some of the same considerations apply to long-term care.

In some countries, workers' compensation is a social benefit program but it is not clear from the scope of the CP whether or not this is included. Other government-supported social benefit programs in some countries include flood insurance, crop insurance, terrorism insurance and government intervention in case of earthquake, tsunami or other catastrophe peril. It is unclear whether these would be in scope.

(b) In our view the definitions in the CP are unclear even with regard to pensions and similar provisions, because they include within social insurance some employer-sponsored benefit provisions (that which 'forms part of an employer-employee relationship'), which the Consultation Paper describes as 'employment-related'. The CP defines social insurance which arises "outside the employer-employee relationship" as social security. In our view this could create confusion, since in most jurisdictions social security is intimately connected to the employment relationship and benefits and contributions are contingent on employment status.

We would prefer to see a clear distinction between social security on the one hand and 'employer-sponsored benefits' on the other, the latter referring to benefit programs where the government is acting as employer for public sector workers. Provision of pension and other benefits where a government is acting as the employer and providing benefit programs solely for government employees similar to those provided by non-government employers for their employees should not be included under this social benefit standard. However, in some countries programs for specific groups of public sector workers, such as civil servants, municipal employees, public utility companies are operated in much the same way as social security is operated in other countries, so provision may need to be made in the standards for employer-sponsored benefits for programs which operate as social security.

The term 'social security' would then be confined to public benefit systems which apply to the whole population or significant sub-sections of the population, including both public and private sector workers or just private sector workers. These systems would in many countries arise in connection with the employer-employee relationship, i.e. by virtue or participation in the labour force. The term 'social insurance' should be used to define the subset of 'social security' where there is a close link between payment of contributions and receipt of benefits.

Examples of "social insurance" would include unemployment benefits and contributory pension schemes with employee/employer contributions defined by legislation and which are a responsibility of public entity and not an individual employer (for example ATP in Denmark and Canada Pension Plan in Canada). Membership of many such programs is contingent on being in employment.

Long-standing definitions of social security exist in ILO and OECD publications and statistics and it would be useful to align the definitions in the standard with those as far as possible. In addition to the definitions given, **Goods and Services** should be defined if they are to be specifically excluded.

Specific Matter for Comment 2 (following paragraph 3.4)

(a) Based on your review of Chapters 4 to 6, which approach or approaches do you support?
(i) The obligating event approach;
(ii) The social contract approach; and
(iii) The insurance approach.

Please provide reasons for your views, including the conceptual merits and weaknesses of each option; the extent to which each option addresses the objectives of financial reporting; and how the different options might provide useful information about the different types of social benefit.

(b) Are you aware of any additional approaches to accounting for social benefits that the IPSASB should consider in developing an IPSAS? If yes, please describe such approach(es) and explain the strengths and weaknesses of each.

(a)(i) *The obligating event approach*. This type of approach would be most appropriate for non-contributory social security programs, including not only means-tested and citizenship-based basic pensions, but also flat-rate pension programs such as those in Denmark and the Netherlands, where there are no specific social security contributions and financing is through general revenue.

A disadvantage of this approach is that does not take into account the ability of the State to raise taxes (including different forms of social security financing contributions) and, as a result, it may provide an incomplete picture with respect to the financial burden of such programs on the taxpayer. Therefore, we suggest that the standard should include a requirement that disclosures based on the "obligating event approach" be accompanied by the discussion of the program's long-term sustainability as per RPG1. We note that the CP touches on this option in Appendix B of the CP (page 83), where it proposes, in relation to Option 1: Obligating Event Approach, that "sustainability information could be made available in the notes or in a separate GPFR, for example a report on long-term sustainability of an entity's finances prepared in accordance with RPG1".

We suggest that the above should become a disclosure requirement for financial reporting for these systems. In many instances the information on long-term sustainability is available from actuarial valuation reports, but these may not be updated on an annual basis. Reference could be made to the most recent long-term sustainability report available, or, if information on long-term sustainability is required to be presented on an annual basis, an estimated update should be allowed during the inter-valuation period.

(a)(ii) *The social contract approach.* We do not believe that the social contract approach is an appropriate or financially realistic way of accounting for social benefits.

(a)(iii) *The insurance approach.* We see some benefits in this approach for social insurance schemes where the system is financed by designated contributions, including situations where contributions are made by employers and employees. These schemes are akin to private insurance in that benefits are paid for by contributions over a period, part of which is before the accounting date and part afterwards. However, (1) there is likely to be intergenerational and intragenerational solidarity and (2) financing will usually be on an open group approach, taking into account contributions and benefits for many generations.

We notice that Appendix B of the CP states explicitly on page 83 with regard to sustainability that: "This information relates to current participants in a scheme, and so does not include participants who will join a scheme in future periods." Full sustainability information should include the expected benefit payments and contribution income in respect also of future participants. We understand from Appendix B that it is intended that the sustainability information should be made available in the notes or in a separate GPFR, for example a report on long-term sustainability of an entity's finances prepared in accordance with RPG1.

We strongly encourage IPSASB to make the provision of long-term sustainability information a disclosure requirement for financial reporting. In many instances the information on long-term sustainability is available from the actuarial valuation reporting and is not updated on an annual basis. Thus we suggest that if information on long-term sustainability is required to be presented on an annual basis, an estimated update should be allowed during the inter-valuation period.

(b) It would be more informative for decision-makers if the accounting treatment were aligned with the funding approach. For many contributory programs this involves presenting financial statements and long-term sustainability information on an open group basis. To ignore this will lead to information that is unhelpful and quite possibly misleading for decision-making. An open group approach to financing requires contributions of both existing and future contributors to be considered as an asset, with liabilities recognizing future benefits in respect of current pensioners, existing contributors and future contributors.

Specific Matter for Comment 3 (following paragraph 3.4)

Having reviewed the three options in Chapters 4 to 6, are you aware of any social benefits transactions that have not been discussed in the CP, and which could not be addressed by one or more of the options set out in the CP?

If so, please provide details of the social benefit transactions you have identified and explain why the options set out in the CP do not adequately cover these transactions.

The accounting treatment should be aligned with the agreed funding approach, especially when programs are financed using pay-as-you-go or partial funding. For many contributory programs this would involve accounting on an open group basis. It is potentially misleading to produce financial statements which ignore or misrepresent the reality of the financing approach for the scheme. Treating future benefit payments as liabilities without taking future contributions as assets would be particularly erroneous. Even to take into account only certain generations of contributors could be quite misleading. Such approaches fail to recognize that under pay-as-you-go and partially funded systems, in any given year current contributors allow the use of their contributions to pay benefits to current beneficiaries. Thus, there is a claim of current and past contributors on contributions of future contributors. For programs financed solely by contributions (without any government subsidy) these claims do not represent a government debt. For programs which are financed by both contributions and government subsidies, government debt is created only to the extent to which current assets and future contributions of existing and future contributors do not cover the current and future benefits.

Preliminary View 2 (following paragraph 3.4)

The IPSASB considers that a combination of option 1 (obligating event approach) and (for some or all contributory schemes) option 3 (insurance approach) may be required to reflect the different economic circumstances arising in respect of social benefits. The IPSASB does not consider that option 2 (social contract approach) is consistent with the Conceptual Framework. For this reason, the IPSASB has taken the preliminary view that the social contract approach is unlikely to meet the objectives of financial reporting.

Chapter 4 – Option 1: Obligating Event Approach

Specific Matter for Comment 4 (following paragraph 4.69)

In your view, at what point should a future IPSAS specify that an obligating event arises under the obligating event approach? Is this when:

(a) Key participatory events have occurred ;

(b) Threshold eligibility criteria have been satisfied ;

(c) The eligibility criteria to receive the next benefit have been satisfied;

(d) A claim has been approved;

(e) A claim is enforceable; or

(f) At some other point.

In coming to this conclusion, please explain what you consider to be the relative strengths and weaknesses of each view discussed in this chapter.

If, in your view, a future IPSAS should consider that an obligating event can arise at different points depending on the nature of the social benefit or the legal framework under which the benefit arises, please provide details.

Please explain the reasons for your views.

Several interpretations might be provided for each of these obligating events, which also might differ by benefits being provided and the rules of the program.

Point (a) could be interpreted in the social security context to be the first time an individual makes a contribution as he/she joins the labour market (or in a more extreme way as when an individual is born), whereas point (b) would be when the qualification criteria are first satisfied (e.g. when sufficient contributions have been paid, a sufficiently long period of contributions has elapsed, the qualifying age attained or other eligibility criteria). Point (c) allows for the possibility that eligibility criteria might be met when a participant initially becomes entitled to a benefit, as under point (b), but without entitling the individual to continue receiving these benefits for his/her lifetime and the lifetime of dependants/survivors, if applicable. Therefore points (a) and (b) might be the same, at least regarding disability and retirement benefits. (b) could also be interpreted as being many years prior to the initial benefit being due, so could be of significant size, determined on a present value basis.

Revalidation (e.g. of whether disability or unemployment criteria are still met or, for pension, whether the individual is still alive and/or satisfies means-tested criteria) may be required. Challenges relating to family-based benefits might arise because benefits might be a function of future births into the family or divorce or death of a worker or dependant. Point (d) takes it to the next stage where a payment has been approved and point (e) is the strictest position where a payment is legally enforceable, but it could also be subject to interpretation.

An approach such as (a) based on the date of joining the labour market would only be meaningful as a liability if future contributions were also valued – so this would require an insurance approach (Option 3). Where social benefits are provided other than through a contributory social insurance scheme, entitlement will usually be based on meeting specific eligibility criteria. This would apply for means-tested benefits, where it is possible for eligibility to be withdrawn; in such cases we consider that approach (c) or (d) would be appropriate and only benefits payable up to the next validation check would be valued (such an approach might also apply for disability pensions). This would reflect the underlying reality, although in strict legal terms it might be more appropriate only to recognise claims that are enforceable (option (e)).

For other types of non-contributory benefits, we consider that approach (b) would be appropriate and a value would be placed on the liability using actuarial valuation methodology

For social insurance, if claims are recognised for everyone in the labour market who might be eligible to make a claim at some point in their lifetime, actuarial evaluation of the value of future claims would be needed. For retirement pensions, (b) would include as a liability only pensions for which all eligibility conditions have been met and the measurement would include the full annuity value (together with associated survivorship benefits).

We note that in all cases where an estimate is needed of the future value of payments that have been triggered by an obligating event, actuarial methodologies would be needed and the standard should provide for the involvement of actuaries in making the assessments.

Specific Matter for Comment 5 (following paragraph 4.76)

In your view, does an obligating event occur earlier for contributory benefits than non-contributory benefits under the obligating event approach?

Please explain the reasons for your views.

An obligating event could be said to occur on an accrual basis when contributions are paid but, in practice, unlike employer-sponsored plans, accrual of benefits is not always very closely linked to payment of contributions, since not all years necessarily count for additional accrual and some accrual may be deemed rather than actual, in order to allow, for example, for periods of sickness, maternity or caring. However, we do not think it would be appropriate to use the obligating event approach for contributory benefits, since these would be better accounted for on the insurance approach or some modification thereof.

Specific Matter for Comment 6 (following paragraph 4.80)

In your view, should a social benefit provided through an exchange transaction be accounted for:

(a) In accordance with a future IPSAS on social benefits; or

(b) In accordance with other IPSASs?

Please provide any examples you may have of social benefits arising from exchange transactions.

Please explain the reasons for your views.

We do not have any comments as we do not see social benefits as being provided through an exchange transaction. Even if they were, useful accounting disclosures would not result.

Preliminary View 3 (following paragraph 4.91)

Under the obligating event approach, liabilities in respect of social benefits should be measured using the cost of fulfillment. The cost of fulfillment should reflect the estimated value of the required benefits.

Specific Matter for Comment 7 (following paragraph 4.91)

In your view, under the obligating event approach, when should scheme assets be included in the presentation of a social benefit scheme:

(a) In all cases;

(b) For contributory schemes;

(c) Never; or

(d) Another approach (please specify)?

Please explain the reasons for your views.

We suggest (a). Where a liability is recognized and there are related assets, they should be included in all cases. It would be perverse not to show any assets which exist if a corresponding liability is to be recognized.

The value of future contributions is also an important asset in contributory schemes and should be included.

Chapter 5 – Option 2: Social Contract Approach

Specific Matter for Comment 8 (following paragraph 5.38)

In your view, under the social contract approach, should a public sector entity:

(a) Recognize an obligation in respect of social benefits at the point at which:

(i) A claim becomes enforceable; or

(ii) A claim is approved?

(b) Measure this liability at the cost of fulfillment?

Please explain the reasons for your views.

Secretariat: 99 Metcalfe, Ottawa, ON Canada K1P 6L7 Tel.: +1-613-236-0886 Fax: +1-613-236-1386
secretariat@actuaries.org / secretariat@actuaires.org — www.actuaries.org / www.actuaires.org

In any case, a claim obligation should be recognized when services are provided. This is consistent with the cost of fulfilment of the obligation.

Chapter 6 – Option 3: Insurance Approach

Specific Matter for Comment 9 (following paragraph 6.24)

Do you agree with the IPSASB's conclusions about the applicability of the insurance approach?

Please explain the reasons for your views.

We support the insurance approach, or some modification of it that takes into account that there is no "profit" to be recognized, for contributory social security schemes. We consider it to be a step towards financial statements being aligned with the long-term financial sustainability of the program. The liability to be recognized would include reflection of contingent events which will take place in the future but would also recognize future contributions as an asset.

In addition, we strongly encourage the IPSASB to make a compulsory requirement to include in financial statements disclosure information on the long-term sustainability of programs prepared in accordance with RPG1.

Specific Matter for Comment 10 (following paragraph 6.35)

Under the insurance approach, do you agree that where a social security benefit is designed to be fully funded from contributions:

(a) Any expected surplus should be recognized over the coverage period of the benefit; and

(b) Any expected deficit should be recognized as an expense on initial recognition?

Please explain the reasons for your views.

It would not necessarily be appropriate to recognise an expected deficit as an expense on initial recognition. This would depend on how deficits are dealt with.

Where a program is financially self-supporting based on contributions from employers and employees, it would not be appropriate to show a deficit if the financing method is designed to ensure that the system is in balance over the longer term. This is especially true for programs that possess so called self-adjustment mechanisms that prescribe methods for allocating the deficit between different program stakeholders: contributors (i.e. employers and employees) and beneficiaries and thus strive to maintain intergenerational equity. Some programs could be split into two components for the purpose of recognising deficit or surplus -- the first part financed on a pay as you go basis while the second is funded.

A different approach would be needed if there is an explicit government guarantee to make up any shortfall, which would be reasonable to show as a debt. However, more often it is the case that the government can change the rules of the game in the future to maintain the system in balance, e.g. by raising retirement age or increasing contributions, so the impact of such future adjustments should be recognized, particularly where the adjustments are automated by indexation of the retirement age to expectation of life at retirement age.

Specific Matter for Comment 11 (following paragraph 6.37)

In your view, under the insurance approach, what is the appropriate accounting treatment for the expected deficit of a social security benefit that is not designed to be fully funded from contributions:

(a) Recognize an expense on initial recognition;

(b) Recognize the deficit as an expense over the coverage period of the benefit;

(c) Offset the planned subsidy and the liability only where this is to be received as a transfer from another public sector entity;

(d) Offset the planned subsidy and the liability irrespective of whether this is to be received as a transfer from another public sector entity or as an earmarked portion of general taxation; or

(e) Another approach?

Please explain the reasons for your views.

We favour (d). In our view a clear distinction needs to be made between financial information regarding social security programs and financial statements of governments. The former might be set up explicitly with a remit to ensure that benefit costs and administrative expenditures are met in full by contributions of employers and employees, together with investment income. If they are fulfilling this requirement it would be strange to force them to present financial statements which appear to show something different. If amounts are due to be paid from other parts of government in order to complete the picture, these should be shown as income, with a corresponding liability shown elsewhere in the government accounts.

Specific Matter for Comment 12 (following paragraph 6.43)

In your view, under the insurance approach, should an entity use the cost of fulfillment measurement basis or the assumption price measurement basis for measuring liabilities?

Please explain the reasons for your views.

We do not agree that the normal cost of fulfilment measurement basis should be used. Our understanding is the cost of fulfilment presumes that the future cash flows are adjusted for risk. In particular, although we do agree with the use of expected cash flows, we do not agree that a risk adjustment is appropriate. The primary reason is that governments have the flexibility, especially under dire financial conditions, to modify the terms of the social security system, e.g. decrease benefits, increase contributions or change other program features. In addition, given the duration of the obligations and the nature of the expected cash flows, a risk adjustment may be disproportionally large.

We strongly believe it is necessary to convey the degree of uncertainty as part of disclosure. Actuarial techniques such as sensitivity/stress testing and/or use of stochastic models to illustrate the range of uncertainty in the cash flow estimates are strongly encouraged and will provide proper perspective to the estimates involved.

Specific Matter for Comment 13 (following paragraph 6.63)

Do you agree that, in those cases where the link between contributions and benefits is not straightforward, the criteria for determining whether the insurance approach is appropriate are:

- The substance of the scheme is that of a social insurance scheme; and
- There is a clear link between the benefits paid by a social security scheme and the revenue that finances the scheme.

If you disagree, please specify the criteria that you consider should be used.

Please explain the reasons for your views.

Secretariat: 99 Metcalfe, Ottawa, ON Canada K1P 6L7 Tel.: +1-613-236-0886 Fax: +1-613-236-1386
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We agree.

Specific Matter for Comment 14 (following paragraph 6.72)

Do you support the proposal that, under the insurance approach, the discount rate used to reflect the time value of money should be determined in the same way as for IPSAS 25?

Please explain the reasons for your views.

No. The discussion in the CP points towards use of government bond yields for discounting the benefit payments and future contributions, since this would be consistent with what is done for employee benefits (in IPSAS 25). We consider that market-based spot bond yields are not appropriate for unfunded social security liabilities which are to be financed out of future contributions and tax revenues. One reason is due to the inverse relationship between the yield on government bonds and credit rating of sovereign debt. For countries in a precarious financial position, the cost of borrowing of the government will be high, resulting in smaller social security liabilities. On the other hand, countries with good economic prospects may end up showing larger future liabilities. The economic basis for discounting would point to using discount rates based on the expected real growth of GDP or the real growth of the wage mass (or the contributions base for a contributory scheme) or growth in the real tax base.

For programs that are financed in part by investment income, the discount rate might be based on the future expected real return on the assets, adjusted for risk. A way to recognize future investment earnings in financial statements based on asset allocation should be addressed by future IPSAS on social security reporting.

Specific Matter for Comment 15 (following paragraph 6.76)

Under the insurance approach, do you support the proposals for subsequent measurement set out in paragraphs 6.73–6.76?

Please explain the reasons for your views.

We believe that, although comprehensive disclosure of the changes and the effect of the changes is appropriate, modifications in the program should, in general, be treated as a change in estimates related to the program or in other comprehensive income. However, if the modification is to introduce a new set or eliminate a set of benefits, the proposals in paragraphs 6.73 to 6.76 would be reasonable.

Secretariat: 99 Metcalfe, Ottawa, ON Canada K1P 6L7 Tel.: +1-613-236-0886 Fax: +1-613-236-1386
secretariat@actuaries.org / secretariat@actuaires.org — www.actuaries.org / www.actuaires.org

Appendix A

Full Member Associations of the IAA (67 members)
(29 January 2016)

Caribbean Actuarial Association
Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires (Argentina)
Actuaries Institute Australia (Australia)
Aktuarvereinigung Österreichs (AVÖ) (Austria)
Institut des Actuaires en Belgique (Belgique)
Aktuarsko Drustvo U Bosni I Hercegovini (Bosnia and Herzegovina)
Instituto Brasileiro de Atuária (IBA) (Brazil)
Bulgarian Actuarial Society (Bulgaria)
Canadian Institute of Actuaries/Institut Canadien des Actuaires (Canada)
China Association of Actuaries (China)
Actuarial Institute of Chinese Taipei (Chinese Taipei)
Asociación Colombiana de Actuarios (Colombia)
Institut des Actuaires de Côte d'Ivoire (Côte D`Ivoire)
Hrvatsko Aktuarsko Drustvo (Croatia)
Cyprus Association of Actuaries (Cyprus)
Ceská Spolecnost Aktuárù (Czech Republic)
Den Danske Aktuarforening (Denmark)
Egyptian Society of Actuaries (Egypt)
Eesti Aktuaaride Liit (Estonia)
Suomen Aktuaariyhdistys (Finland)
Institut des Actuaires (France)
Deutsche Aktuarvereinigung e. V. (DAV) (Germany)
Hellenic Actuarial Society (Greece)
Actuarial Society of Hong Kong (Hong Kong)
Magyar Aktuárius Társaság (Hungary)
Félag Islenskra Tryggingastærðfræðinga (Iceland)
Institute of Actuaries of India (India)
Persatuan Aktuaris Indonesia (Indonesia)
Society of Actuaries in Ireland (Ireland)
Israel Association of Actuaries (Israel)
Istituto Italiano degli Attuari (Italy)
Institute of Actuaries of Japan (Japan)
Japanese Society of Certified Pension Actuaries (Japan)
The Actuarial Society of Kenya (Kenya)
Latvijas Aktuaru Asociacija (Latvia)
Lebanese Association of Actuaries (Lebanon)
Lietuvos Aktuaru Draugija (Lithuania)
Persatuan Aktuari Malaysia (Malaysia)
Colegio Nacional de Actuarios A. C. (Mexico)
Association Marocaine des Actuaires (Morocco)
Het Koninklijk Actuarieel Genootschap (Netherlands)
New Zealand Society of Actuaries (New Zealand)
Den Norske Aktuarforening (Norway)
Pakistan Society of Actuaries (Pakistan)

Full Member Associations of the IAA (67 members)
…continued

Actuarial Society of the Philippines (Philippines)
Polskie Stowarzyszenie Aktuariuszy (Poland)
Instituto dos Actuários Portugueses (Portugal)
Asociatia Romana de Actuariat (Romania)
Russian Guild of Actuaries (Russia)
Udruzenje Aktuara Srbije (Serbia)
Singapore Actuarial Society (Singapore)
Slovenska Spolocnost Aktuarov (Slovakia)
Slovensko Aktuarsko Drustvo (Slovenia)
Actuarial Society of South Africa (South Africa)
Institute of Actuaries of Korea (South Korea)
Col.legi d'Actuaris de Catalunya (Spain)
Instituto de Actuarios Españoles (Spain)
Svenska Aktuarieföreningen (Sweden)
Association Suisse des Actuaires (Switzerland)
Society of Actuaries of Thailand (Thailand)
Association of Consulting Actuaries (United Kingdom)
Institute and Faculty of Actuaries (United Kingdom)
American Academy of Actuaries (United States)
American Society of Pension Professionals & Actuaries (United States)
Casualty Actuarial Society (United States)
Conference of Consulting Actuaries (United States)
Society of Actuaries (United States)

Appendix B

Members of the Social Security Committee of the IAA[1]
(29 January 2016)

Chairperson:	
Barbara D'Ambrogi-Ola	Suomen Aktuaariyhdistys
Co-Vice-Chairpersons:	
Assia Billig	Canadian Institute of Actuaries
Aldona Skucaite	Lietuvos Aktuaru Draugija
Members:	
Janis Bokâns	Latvijas Aktuaru Asociacija
Catherine Censier	Institut des Actuaires en Belgique
Robert F Conger	Casualty Actuarial Society
Roseanne Da Silva	Actuarial Society of South Africa
Maria Economou	Hellenic Actuarial Society
Rosa Maria Farell Campa	Colegio Nacional de Actuarios A. C.
Giovanna Ferrara	Istituto Italiano degli Attuari
A.D. Gupta	Institute of Actuaries of India
Ana Haramija	Hrvatsko Aktuarsko Drustvo
Daniel Hernández Gonzalez	Instituto de Actuarios Españoles
Klaus Heubeck	Deutsche Aktuarvereinigung e. V. (DAV)
Martin Kosztolanyi	Slovenska Spolocnost Aktuarov
Christoph Krischanitz	Aktuarvereinigung Österreichs (AVÖ)
Thomas D Levy	Canadian Institute of Actuaries
Warren R Luckner	American Academy of Actuaries
Martin Kristofer Lunnon	Institute and Faculty of Actuaries
Ibrahim E. Muhanna	Lebanese Association of Actuaries
Tibor Parniczky	Magyar Aktuárius Társaság
Anders Erik Paulsboe	Den Norske Aktuarforening
Thierry Poincelin	Institut des Actuaires
Adam Justin Reese	Conference of Consulting Actuaries
Nobuhiro Shimizu	Institute of Actuaries of Japan
Martin Alexander Stevenson	Actuaries Institute Australia
Fructueux Tétiali	Institut des Actuaires de Côte d'Ivoire
Wilma Gomes Torres	Instituto Brasileiro de Atuária (IBA)
Diego Valero Carreras	Col.legi d'Actuaris de Catalunya
Xiao Qiang Zhao	China Association of Actuaries

[1] Chris Daykin, as Chairman of the Social Security Subcommittee of the Actuarial Association of Europe, is an Observer on the IAA Social Security Committee and participated actively in the preparation of this response