NZ ACCOUNTING STANDARDS BOARD

11 February 2016

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International Federation of Accountants
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CANADA
Submitted to: www.ifac.org

Dear John

Recognition and Measurement of Social Benefits

The New Zealand Accounting Standards Board (NZASB) is pleased to submit its comments on the International Public Sector Accounting Standards Board's (IPSASB's) Consultation Paper *Recognition and Measurement of Social Benefits* (the Consultation Paper).

The Consultation Paper was issued for comment in New Zealand and, as a result, you may also receive comments directly from New Zealand constituents.

We are pleased the IPSASB has made progress on the social benefits project and has produced a comprehensive Consultation Paper. The recognition and measurement of social benefits is a very important issue for most governments and implementation of some proposals in the Consultation Paper could change the face of government's financial reporting.

In responding to this Consultation Paper we have challenged ourselves to form a common view on the conceptual basis that should underlie the accounting for social benefits. The NZASB supports the IPSASB's preliminary view that a combination of the obligating event approach and the insurance approach may be required to reflect the different economic circumstances arising in respect of social benefits. We also agree with the IPSASB's preliminary view that the social contracts approach is unlikely to meet the objectives of financial reporting.

The basis for the recognition of social benefits should remain consistent with the Conceptual Framework definition of a liability; therefore, social benefits should only be recognised for present obligations arising from a past event. Identifying the relevant past event is critical to determining the point in time when a present obligation arises and the nature/extent of that obligation. We therefore strongly encourage the IPSASB to consider carefully the boundary between a present obligation and a future obligation when developing the standard on the recognition of social benefits.

We note that the application of the obligating event approach and the insurance approach to social benefits could lead to governments recognising large liabilities in their financial statements (that is, where they have determined they have a present obligation for future payments of social benefits).

Notwithstanding our support for consistency with the Conceptual Framework definition of a liability, we would have concerns about the usefulness of financial statements that are dominated by large liabilities for present obligations of estimated future payments of social benefits without any disclosure or consideration of the way in which those liabilities will be funded. The Conceptual Framework would not allow for the recognition of an asset representing a government's right to raise future revenues in the form of taxes, because this would require accounting for a future event. It is our view that providing information on social benefit liabilities alone, without corresponding information about how they will be funded, would not provide useful information to users of financial statements and would not meet the objectives of financial reporting.

Therefore, whilst we accept that applying the definitions of elements and the recognition criteria in the Conceptual Framework may lead to the recognition of present obligations for future social benefit payments at an earlier point than is current practice for most governments, any accounting requirements should be developed with reference to the entire Conceptual Framework – not just the sections on elements. In our view it is also essential that we consider the objectives of General Purpose Financial Reporting (GPFR) and its inherent limitations.

The Conceptual Framework for GPFR is intended to provide information about past events and transactions that have occurred and their impact on an entity's financial position from year to year. GPFR is not intended to meet the needs of users who require information in relation to the long term impact of events and transactions that have yet to occur and users may need to look to other sources for information on such events and transactions. The IPSASB will need to consider the most appropriate form to report long-term social benefit information. We do not consider GPFR should provide information on both present and future obligations. We note the usefulness of long term fiscal sustainability reporting in providing comprehensive information on the impact of current policies on future fiscal position and developing policy responses to fiscal issues.

Our responses to the Specific Matters for Comment 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 Lisa Kelsey (lisa.kelsey@xrb.govt.nz) or me.

Yours sincerely

Kimberley Crook

Chair – New Zealand Accounting Standards Board

APPENDIX

Response to Specific Matters for Comment

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.

Specific Matter for Comment 1(a)

The scope of benefits considered in the Consultation Paper is narrower than the previous consultation paper and exposure draft. Although this has made it easier for the IPSASB to focus on a specific set of social benefits and has made the project more manageable, it also creates boundary issues, especially with the non-exchange expenses project. The boundary is important if there is different accounting between social benefits and non-exchange expenses.

The accounting treatment should be consistent for similar transactions and events, irrespective of the project in which the IPSASB has chosen to consider the transaction or event. Given the desirability of consistent accounting for similar types of benefits (regardless of whether they address a social risk) it might have been better to deal with all non-exchange expenses in one project. For example, social benefits in kind and other transfers in kind give rise to the same issues. The scope of the Consultation Paper creates an artificial boundary between social benefits and non-exchange expenses. We encourage the IPSASB to monitor the direction of these two projects so that there is consistent accounting where appropriate.

In order to engage with the proposals in the Consultation Paper, we have applied the Consultation Paper's proposed scope and definition to social benefits in New Zealand. We used the Government Finance Statistics classifications for social benefits in New Zealand to guide this process. Nonetheless, we have found distinguishing between social benefits, as defined in the Consultation Paper, and other non-exchange expenses quite difficult in practice. It has been hard to differentiate expenses within the scope of this project from expenses associated with other ongoing activities of the government such as education, housing etc.

The Consultation Paper (paragraph 2.28) notes that the universal provision of services such as education and health is considered to be an ongoing activity of the government. In the System of National Accounts, providing these services does not give rise to an obligation prior to the delivery of services. This is an interesting concept as a primary purpose of the government is the provision of cash, goods and services for community and social benefit. We don't recognise liabilities for future obligations for ongoing activities because they are not present obligations. Any proposals to recognise liabilities for social benefit obligations must explain why those obligations are present obligations rather than future obligations. This means that we need to consider what is different about this subset (social benefits) of government promises to households and individuals.

We can illustrate some of the difficulties we have experienced in determining what would fall within the scope of the Consultation Paper by looking at New Zealand Superannuation and education. New Zealand Superannuation, which is a benefit provided to people aged 65 and over, falls within the scope of the Consultation Paper. By contrast, free education for children aged between 6 to 16 is outside the scope of the Consultation Paper. However, both New Zealand Superannuation and free education provide support to individuals so that they can either buy essential services, or receive essential services. We are not sure of the merits of considering these two form of assistance separately.

The Consultation Paper (paragraph 2.27) notes that the System of National Accounts identifies different categories of social benefits with potentially different economic consequences for a public sector entity. The Consultation Paper explains that the differing consequences result in different treatment within the System of National Accounts, and might justify different accounting requirements with a future IPSAS. The Consultation Paper further discusses this in paragraph 2.29 where it considers it possible that different factors may arise in the recognition and measurement of transactions that address specific social risks and those transactions that do not. Although we understand that using the Government Finance Statistics definition of a social benefit has made it easier for the IPSASB to identify a specific group of benefits for consideration in this project, we do not think that this should be used to justify different recognition and measurement requirements for transfers in kind which may be very similar in nature.

Specific Matter for Comment 1(b)

The definitions used in the Consultation Paper come from the System of National Accounts and Government Finance Statistics. Some constituents will not be familiar with the statistical definitions and classifications. Therefore, we would suggest that guidance on the definitions and classifications would be required in a standard. In particular, we think that more guidance would be required on "an event or circumstances that may adversely affect the welfare…". As we have noted above, we found it difficult to apply the definitions in practice.

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.

Specific Matter for Comment 2(a)

General comments

We support the IPSASB's preliminary view that a combination of the obligating event approach and the insurance approach may be required to reflect the different economic circumstances arising in respect of social benefits when there is a present obligation and not for future obligations. We consider that the nature of the government's promise in relation to a social benefit can help determine the suitability of an approach and the recognition point within that approach. For example, in relation to the larger social benefits in New Zealand:

(a) Accident Compensation Corporation (ACC), the promise is for the full life of the claim;

(b) Unemployment benefit, the promise is either for a year (the next revalidation point) or in the longer term until the individual finds a job; and

(c) New Zealand Superannuation, the promise is for the whole of the person's retirement from age 65 onwards.

Obligating event approach

We support the obligating event approach for the recognition and measurement of social benefits. In terms of New Zealand social benefits, we can identify benefits where we consider that there is an obligating event that creates a present obligation for the future payments of social benefits. For example, in the case of New Zealand Superannuation (NZ Super), the New Zealand government has indicated that it will accept the responsibility of paying NZ Super from the time that the individual is 65 years old, for the rest of their life. Legislation establishing an entitlement to NZ Super and the eligibility criteria is in place. In addition, based on the current political environment and current policy in New Zealand, individuals are likely to have a valid expectation that, when they reach the age of 65, they will receive NZ Super for the rest of their life.

In this example it is possible to conclude that the government has a present obligation (at least once the individual reaches 65) for all NZ Super benefits to be provided to the individual in future periods. We note that there are differing rationales for arriving at this point, which we discuss further below.

We accept that applying the definitions of elements and the recognition criteria in the Conceptual Framework could lead to the recognition of a liability for all future NZ Super payments to individuals from the age of 65. This would result in the recognition of a substantial liability (based on actuarial calculations and assumptions) in the financial statements. Some would argue that this information is useful to users of financial statements as it shows clearly the obligations of the government. The counter argument to this is that reporting large liabilities without the corresponding information on how these large liabilities are to be funded is of limited use to the users of financial statements and does not meet the objective of financial reporting.

The proposals in the Consultation Paper focus on one part of the puzzle, the outflows. The picture is incomplete without the inflows as well. Comprehensive information about future inflows and outflows is provided in long term fiscal reports, as described in RPG 1 *Reporting on the Long-Term Sustainability of an Entity's Finances*. Long term fiscal sustainability reporting is a very important tool and the most appropriate way of providing comprehensive information on the impact of current policies on future fiscal position and developing policy responses to fiscal issues. A number of jurisdictions (Australia, Canada, Denmark, Germany, New Zealand, Norway, Sweden, Switzerland, UK and USA) provide these reports, some because they have a statutory requirement to do so and others on a voluntary basis.[1] Given the importance of this information, and the need for balanced information about inflows and outflows, we would encourage the IPSASB to think about both sides of the picture before finalising any standards-level requirements. We would also encourage the IPSASB to continue to promote the importance of long-term fiscal reporting and, in the longer term, to reconsider whether the requirements in RPG 1 should be incorporated in a standard.

In preparing our response to this Consultation Paper we have reflected on the ways in which various types of information about social benefit obligations is used in New Zealand, and whether such information should be included in general purpose financial reports. As a starting point we acknowledge the importance and usefulness of information about social benefit obligations. Certain government departments in New Zealand (for example, the Ministry of Social Development[2]) use actuarial based information of estimated future liabilities as a management tool to ascertain if policy decisions and reforms are working. The information used by the Ministry of Social Development is based on those assumptions that provide the most useful information to the Ministry – these differ from the assumptions that are used in the governments long-term fiscal reporting. Although we acknowledge the importance of such information for policy making and planning, we note that it is tailored to meet the needs of particular users, and we would caution against assuming that it is also relevant to users of GPFR. If the IPSASB were to require more widespread recognition of lifetime payments of social benefits, this could result in the recognition of substantial liabilities in the financial statements. As we are aware from our current reporting of ACC liabilities, such liabilities are sensitive to assumptions and small changes in assumptions can lead to large changes in the amounts reported. The IPSASB would need to carefully consider the usefulness of reporting such large liabilities and the impact of changes in assumptions on reported performance for users of GPFR.

Social contracts approach

We do not support the IPSASB further developing the social contracts approach and agree this approach is not supported by the Conceptual Framework. However, we note that some of the ideas in this approach can be helpful when considering when obligations arise or when obligations should be recognised. For example, the concept of an executory contract can be useful in explaining the relationship between a government that provides social benefits and the expectation that individuals or households will contribute taxes and other sources of finance to support that system of social benefits.

We agree that there would be practical difficulties in applying the social benefits approach (and, in particular, in applying the pure executory contracts model). Some of these difficulties are:

[1] Office of the Auditor General British Columbia. (June 2015) *Monitoring Fiscal Sustainability*.

[2] Public sector entity responsible for administering social development, senior citizens and veterans' affairs.

- Identifying the counterparty to the executory contract. Whilst individuals may receive social benefits, corporate entities may never receive any social benefits in return for their contributions; and

- Whether a "contract" is onerous at the time that the benefit is approved or payable, as the individual could still be regarded as performing their part of the agreement by contributing taxes.

Insurance approach

We support the insurance approach for insurance type social benefits (contributory and coverage period type schemes). In New Zealand, the Accident Compensation Corporation applies an insurance accounting approach to its social security scheme. We are happy to provide further details of how the scheme works and the accounting for the scheme if this would assist the IPSASB.

We agree with the IPSASB's view that the insurance approach may be appropriate where there are significant cash contributions in respect of a scheme, and these can be reliably measured.

Specific Matter for Comment 2(b)

We are not aware of any other approaches to accounting for social benefits.

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.

We have not identified any other social benefits transactions that have not been discussed in the Consultation Paper. Although, as noted in our response to Specific Matter for Comment 1, we think the definition of social benefits proposed by the IPSASB runs the risk of creating artificial distinctions between what are essentially similar benefits (for example, social benefits in kind and other transfers in kind are effectively the same).

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.

The point at which an obligating event arises depends on the particular benefit and whether it meets the objectives of financial reporting and QCs (mainly relevance, faithful representation and understandability). The nature of the government's promise differs between benefits. In our view, for some benefits, the obligating event is likely to occur at the "threshold eligibility criteria have been satisfied point". We have given examples of differing types of social benefit "promises" in our response to Specific Matter for Comment 2(a). Our comments on the possible points at which an obligating event might occur are noted below.

(a) Key participatory events have occurred

We consider that the argument that a present obligation arises as key participatory events occur has some conceptual merit but we also consider that this approach would be difficult to apply. We consider that there are stronger arguments for using point (b) as the obligating event for certain social benefits. Nevertheless, we have considered how sub-option (a) could be applied to NZ Super.

Depending on the nature of the benefit, a present obligation may arise from point (a). For example, with NZ Super, possible key participatory events include when the individual starts working or before the individual reaches the age of 65 and certainly no later than the age of 65. In considering whether a present obligation arises at these points in time, some note that the government's power to amend or repeal legislation before or after the individual becomes entitled to receive NZ Super is not a relevant factor. This is based on the discussion of legal obligations in paragraphs 5.20-5.22 of the Conceptual Framework, whereby sovereign power to make, amend and repeal legal provisions is not a rationale for concluding that an obligation does not meet the definition of a liability.

In addition, even if it is not accepted that the existence of current legislation creates a legally binding obligation, an alternative argument that arrives at a similar conclusion is that a present obligation arises as a consequence of government policy in New Zealand indicating that it has accepted certain responsibilities and the past history of governments in New Zealand, where there has been a reluctance to change the benefit to individuals who are close to or over the age of 65. Some argue that, as a consequence, individuals have a valid expectation of receiving NZ Super, giving the government little or no realistic alternative to avoid an outflow of resources. The individual can have an expectation that they will receive the benefit prior to the age of 65, and, as the individual gets closer to the eligible age of 65 this expectation becomes stronger (subject to the individual continuing to meet the other key criteria). The assessment of the strength of this expectation is highly judgemental and will depend on the circumstances of each individual. For example, if the individual is not wealthy, their reliance on the future benefit is likely to be greater than for an individual that is wealthy. Once the individual reaches the age of 65 (and assuming that the individual continues to meet the other criteria and based on the legal position at the reporting date), there is no further revalidation required. The individual will continue to receive NZ Super as long as they live. Therefore, for these types of benefits, the obligating event could arise when the key participatory events have occurred.

In forming the above views, particularly in cases where a liability is considered to arise before the age of 65, some arguments are based, in part, on comparisons of NZ Super with employee pensions. For example, under IPSAS 25 *Employee Benefits*, a liability for future pension payments is accrued as and when employees provide services, thereby fulfilling their side of the arrangement. Liability recognition is not delayed until the employee reaches retirement age.

Whilst we understand the conceptual arguments made in the Consultation Paper in support of option (a) we believe this option would be difficult to apply in practice. As discussed above, there may be a series of points at which individuals have a valid expectation that they would receive future benefits. Identifying which key participatory events may contribute to the valid expectation may be difficult.

The unit of account is also an important consideration in the recognition of a liability. If the unit of account is an individual, then it would be easier to identify when the key participatory events have occurred. In the case of NZ Super, it is possible to identify individuals who have started work or who are approaching the age of 65. If the unit of account is a collective group, then it is harder to identify when key participatory events have occurred as there will be many individuals in different stages of their life that make up the group. The unit of account also impacts on whether the key participatory events impact on when a present obligation arises or are more relevant for measurement of the liability rather than recognition.

(b) Threshold eligibility criteria have been satisfied

We consider that, for a number of benefits, it may be appropriate to acknowledge the existence of a present obligation from this point. The satisfaction of the threshold eligibility criteria could be regarded as the main past event. If the liability is subject to ongoing eligibility criteria, the NZASB had mixed views on whether this should be regarded as a measurement issue or a recognition issue. A small majority of the NZASB viewed this as a measurement issue. This view is driven by the analogy of employee pensions, liabilities for insurance claims (including insurance claims incurred but not reported) and other factors relating to liability recognition, as discussed in (a) above. For these NZASB members, if the IPSASB concluded that the requirement for the individual to demonstrate that they are eligible (or continue to be eligible) to receive the benefit did impact on recognition (rather than measurement) in the case of social benefits, a rationale would need to be developed that distinguished social benefit obligations from obligations for employee pensions, insurance claims and other liabilities in which similar factors are considered to impact on measurement rather than recognition

However, a substantial minority of NZASB members consider that, in the case of social benefits, a requirement for the individual to demonstrate that they are eligible (or continue to be eligible) to receive a benefit impacts on recognition rather than measurement. In their view, the satisfaction of eligibility criteria (both initially and on-going) is an important and necessary step to creating a legally binding obligation on the entity to pay the benefit.

For some benefits, however, there are no revalidation requirements. For example, for particular benefits such as NZ Super, there is a single substantive criterion – reaching the age of 65. In this case we consider that there is a present obligation from this point onwards. As noted above, when the individual reaches the age of 65 and meets the other criteria, there is no further revalidation required other than staying alive. Despite acknowledging that the recognition of a present obligation (for all future benefit payments) from this point may be consistent with the definitions of a liability in the Conceptual Framework, we do have concerns about the implications of this approach for the usefulness of the financial statements as a whole (see our comments in the cover letter and our response to Specific Matter for Comment 2).

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

As discussed in our response to parts (a) and (b) of this Specific Matter for Comment, we consider that, for some benefits, a present obligation could arise at an earlier point than this. In the case of benefits that are subject to revalidation criteria, the NZASB has mixed views, as discussed above.

(d) A claim has been approved

See our response to part (c) of this Specific Matter for Comment. In general, we consider that a present obligation would arise at an earlier point than this.

(e) A claim is enforceable

See our response to part (c) of this Specific Matter for Comment. In general, we consider that a present obligation would arise at an earlier point than this.

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.

In our view, the way in which a benefit is funded does not change the point at which an obligating event occurs. However, the way in which a benefit is funded may affect what is recognised. For example, there could be a stronger argument for the recognition of constructive obligations in the case of contributory schemes (that is, if an individual has contributed to a scheme then there is likely to be a higher expectation that the government will honour the promise).

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.

In our view, if a social benefit is provided through an exchange transaction, then it should be accounted for under the applicable IPSASs. For example, if an employer pays an insurance premium for an employee then it should account for that benefit in the same way as other employment related expenses.

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.

In our view good disclosure and linkage of scheme assets to scheme liabilities would provide useful information to users, and should be encouraged. We would not however expect a net presentation of these items in the statement of financial position unless the public sector entity is legally prohibited from accessing the assets (which may be a rare occurrence).

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 fulfilment?

Please explain the reasons for your views.

As noted in our response on Specific Matter for Comment 2, we do not recommend the IPSASB further developing the social contracts approach. We have therefore not responded to this Specific Matter for Comment.

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 IPSASB continuing to explore the insurance approach for contributory and coverage period type schemes. We agree the insurance approach is not appropriate for all social benefits and the IPSASB would also need to consider other approaches. At this stage we have not commented on Specific Matters for Comment 10-15. We note that the IASB is still working on its project to develop a new standard on insurance contracts. We consider that the IASB's work on insurance might assist the IPSASB in further developing an insurance approach for social benefits, and would encourage the IPSASB to wait until the IASB has concluded its work on that project. However, we do acknowledge that not all of the IASB's thinking will necessarily be applicable in a public sector context. When the IPSASB considers the accounting treatment in the IASB's final insurance contracts standard it will need to take into account differences in insurance schemes between the private and the public sectors. For example, there is a view that the inclusion of a risk margin in the calculation of scheme liabilities is not appropriate in the public sector.

We understand the IASB is also considering whether insurance accounting could be useful when thinking about the measurement of pensions. This work may also be of interest to the IPSASB[3].

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.

As noted in our response on Specific Matter for Comment 9, we have not commented on Specific Matter for Comment 10.

[3] ASAF – Research Project: Post-employment benefits. Potential impact of the Agenda Consultation and other IASB projects paper. December 2015. This paper can be accessed at: http://www.ifrs.org/Meetings/MeetingDocs/ASAF/2015/December/1512-ASAF-04C-Research-on-post-employment-benefits.pdf.

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.

As noted in our response on Specific Matter for Comment 9, we have not commented on Specific Matter for Comment 11.

Specific Matter for Comment 12 (following paragraph 6.43)

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

Please explain the reasons for your views.

As noted in our response on Specific Matter for Comment 9, we have not commented on Specific Matter for Comment 12.

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.

As noted in our response on Specific Matter for Comment 9, we have not commented on Specific Matter for Comment 13.

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.

As noted in our response on Specific Matter for Comment 9, we have not commented on Specific Matter for Comment 14.

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.

As noted in our response on Specific Matter for Comment 9, we have not commented on Specific Matter for Comment 15.