Overall Summary

(See Table 1 – Tally of Responses by Question, page 10, for the number of responses.)

The following is an overview of the comments received on each of the six questions asked in the preliminary view document:

1. Question 1 asked respondents which obligating event they favored. A slight majority of respondents who commented on this question favored either the Primary View (22) or “work in covered employment” (11). The Alternative View received the single most favorable responses among the four obligating event options (30). Staff notes that this count and the others below are approximate. Some respondents were difficult to classify. For example, Dr. Prince (letter 51) stated that he concurred with the Primary View but would not report the 40-QC liability on the balance sheet; he suggests limited disclosure instead. Staff counted Dr. Prince as favoring the Primary View regarding Question 1 but not regarding Question 2. No respondents commented on “threshold” eligibility.

2. Question 2 asked if Social Security and Medicare obligations were measurable for the purpose of liability reporting at 40 quarters of work
Social Insuracne, Tab A – Attachment 1 – Staff Summary of Responses (updated from May 2007 edition)

in covered employment as proposed in the Primary View. A majority of respondents who commented on this question agreed with the Primary View (21 of 38).

3. Question 3 involved several components.

3.1 Question 3.1 asked the respondents whether the Board should adopt the Primary View proposal to add line items to the Statement of Social Insurance (SOSI) that tie to revised liability and expense amounts in the primary statements. About two-thirds of the respondents who commented on this question (23 of 36) did not agree with the Primary View.

3.2 With respect to the question of reporting on SOSI changes (Question 3.2), almost everyone who commented favored reporting on changes (31 of 34).

3.3 A subcomponent of Question 3.2 asked those who favored reporting changes whether they preferred the Primary or Alternative View approach, and a majority (22 of 31) preferred the Alternative View approach.


5. Question 5 asked respondents whether the Board should consider the Alternative View proposal regarding deferred revenue for earmarked revenues in excess of related program costs. A majority of respondents who commented on this question did not agree with the Alternative View proposal (20 of 33).

6. Question 6 asked respondents for any other comments they might have on the guidance provided for measurement, display, disclosure, and RSI. The respondents had various comments as shown in the Table 2 below.

The following lists most of the points made in the comment letters on each of the six questions.
Question 1
Those favoring the Primary View (PV) obligating event (attain fully insured status) commented that:

1. Attaining fully insured status is an acceptable obligating event because it approximates the preferred work-in-covered-employment obligating event.

2. Financial statements elements should reflect accounting based on current law rather than possible changes in law.

3. Legal arguments are not absolute and are set aside when feasibility and likelihood are judged largely in economic terms.

4. The PV best meets the expectations of financial statement users.

5. The PV promotes comprehensive accounting.

6. Social Security is equivalent to a mandatory retirement savings plan.

7. SSA’s Social Security Statement acknowledges the liability and, if totaled, would be similar to the PV amount.

8. SI is based on a promise that “contributions” held in trust will be paid out in retirement.

9. The contributions and benefits are linked.

10. SI is a well-established social contract.

11. The SFFAS 5 and/or Elements ED definition of liability is met when fully insured status is attained (40 QC).

12. The PV is a reasonable balance between “threshold” event and beginning work in covered employment.

13. SI rights and obligations are established in law.

Those favoring the work-in-covered-employment obligating event commented that work in covered employment:

1. It is consistent with real world experience.

2. Contributions are recognized as revenue.

3. It is a better match of benefit with period earned.
4. Social Security and Medicare are like pensions and other post-employment benefits and should follow accounting rules developed for such programs.

5. Government action has created expectations and reliance.

6. Financial statements should reflect accounting based on current law rather than possible changes in law.

7. According to Elements ED, power to change law does not preclude liability recognition.

8. SI is not like Medicaid and other annual programs because there is a past event.

9. The obligating event should be wages earned subject to SI taxes.

10. SI benefits are based on both time worked and wages received over lifetime.

11. The Elements ED liability definition is met with work in covered employment

12. Taxes are exchanged for a promise of future benefits.

Those opposed to the PV obligating event (attaining fully insured status, e.g., 40 QC) commented that:

1. Financial statements would lack integrity if liability recognized at when fully insured status is attained (e.g., 40 QC) due to uncertainty of estimates;

2. SI significantly differs from private sector retirement programs and PV would negatively affect the decision usefulness of government financial statements.

3. Attaining fully insured status (e.g., 40 QC) event has no economic relevance and is a mere legal formality.

4. The PV does not account for future income;

5. Since accounting rules do not allow future taxes to be recognized as assets, recognizing future benefits as liabilities would be misleading;

6. The Supreme Court has ruled that Social Security benefits are not property or a contractual right and Congress can change benefits.
7. Attaining fully insured status (e.g., 40 QC) is an insufficient obligating event because a worker who attains fully insured status can subsequently lose it, and even permanently insured status is insufficient because future benefits are too uncertain and there is no binding contract or obligation until benefits are due and payable.

8. SI benefits are not
   a. guaranteed or contractual.
   b. advance funded.
   c. promised.
   d. an exchange but rather it is a welfare program and/or an annual general fund program like Medicaid and defense that are equally likely and for which the PV does not proposed early accrual.

9. The PV could diminish the likelihood of reform because recent proposals have promised not to alter benefits to retirees and near-retirees but could affect others in the “fully insured” group and thus reporting per the PV could create political pressure.

10. The PV is based on private sector pension accounting but the government has unique characteristics making private sector accounting standards impractical and inappropriate.

11. The government can modify its obligations.

12. The attaining fully insured status (40 QC) obligating event does not meet the SFFAS 5 liability definition.

13. PV does not make a compelling case for change.

14. PVers are wrongly changing the liability definition to accommodate preconceived preference.

15. SI and other nonexchange transactions are unique to the government. They are fundamentally different from exchange transactions and should be accounted for differently.

Those favoring the Alternative View (AV) obligating event commented that:

1. The AV is consistent with the liability definition in the Elements ED, with FASAB’s long-held views, and with PAYGO financing:.

2. The AV is useful to lawmakers and the public.
3. SI benefits do not meet the criteria even for constructive liabilities.

4. The liability definition requires that the obligor not be able to change the liability unilaterally, which Congress can do until benefits are due and payable.

5. Recognition of pension liabilities is appropriate in the private sector where advance funding is a concern, but the federal budget and most federal programs are not advance funded and Social Security is a pay-as-you-go program.

6. SI benefits are non-binding obligations.

7. The AV maintains the SFFAS 17 standard and is consistent with the Elements ED.

8. SI funds are similar to government funds in state and local governments.

Those opposed to the Alternative View obligating event commented that:

1. The AV argument that the collection of taxes and payment of benefits are two separate non-exchange transactions and that the government is free to walk away from SI commitments is unsupportable from accounting, public administration, and political perspectives, and SI programs have citizens’ support because they perceive an exchange and Congress and SSA have reinforced that perception.

2. The AV argument that there is a mismatch of cost and service with the PV approach is inappropriate because accrued expenses under PV are current expenses even though cash outflow will occur in the future.

3. The “staying alive” criteria is a very narrow interpretation of liabilities.

4. The large size of the SI liability under PV should not deter reporting but rather illustrates the importance of these programs.

**Question 2**

The respondents’ answers to Question 2 generally reflected their position on Question 1. Those believing Social Security and Medicare obligations are measurable for the purposes of recording a liability commented that the 40 QC or earlier amount would be measurable and auditable. The rationales included that the SOSI is basic information now and is audited; that actuarial practice currently accommodates large estimates; and that the Elements ED does not require certainty; that the SSA distributes Social Security Statements that are
Social Insurance, Tab A – Attachment 1 – Staff Summary of Responses
(updated from May 2007 edition)

presumably accurate enough to send to participants for the purposes of long-
range planning.

Those not believing Social Security and Medicare obligations are measurable for
the purposes of recording a liability and expense commented that the amount is
too uncertain, that assumptions, law, and/or insured status change and such
changes would cause great fluctuations. One respondent commented that the
future cost of Medicare is unknown or unknowable.

**Question 3**

Respondents favoring the PV commented that adding line items to the SOSI
(Question 3.1) illustrates relationship for unfamiliar users.

Respondents not favoring the PV commented that the current SOSI or SFFAS 17
approach is appropriate; that additional line items would make the SOSI more
complex without increasing understandability; and that there should be a “bright
line” distinction between primary financial statements and SOSI.

*Reporting Changes in SOSI Amounts*

Almost all respondents who commented favored reporting changes, although
some preferred that it be RSI.

*Format for Reporting Changes*

The majority of respondents favored the Alternative View approach for reporting
changes, i.e., a separate statement rather than a section of the SOSI. Some
commented that it is concise and simple and that it would foster discussion of
context.

**Question 4**

Those favoring a statement of fiscal sustainability (SOFS) commented that

1. it would help explain long-term effects without compromising the financial
   statements;

2. that sustainability information is vital for federal managers, elected
   officials, citizens, and holders of Treasury debt; and

3. that intergenerational information is of the highest importance.

Some who favored it preferred doing so in a separate project.

Respondents not favoring a SOFS commented that:
Social Insurance, Tab A – Attachment 1 – Staff Summary of Responses (updated from May 2007 edition)

1. It would be too costly to prepare and audit and of little practical use; and

2. Present value “point estimates” and per capita ratios and/or infinite horizons are inappropriate for sustainability reporting for pay-as-you-go programs like SI. They commented that sustainability reporting for SI requires analysis of the timing and trends of future cash flow on an annual basis and as a percentage of GDP, taxable payroll, and possible other measures of the economy; and/or

3. That the estimates would be too subjective or too uncertain or just would be just one more competing view.

4. One respondent commented that the PV information is more appropriate than a SOFS for GAAP financial statement. However, he did not oppose research and development of guidance for sustainability reporting, but not as a substitute for financial statements.

Question 5

Some of the respondents who did not believe the Board should consider recognizing deferred revenue commented that:

1. The PV properly matches costs and revenues, and/or that current revenue recognition standards were appropriate.

2. Some commented that earmarked taxes were the same as non-earmarked; or that payroll taxes were mandatory and not “deferred” for anything.

3. One respondent noted that the concept of deferred revenue may be contradictory to the Alternative View that there are no present obligations until benefits are due and payable; another respondent said that deferred revenue pertains to exchanges.

Those believing that the Board should consider recognizing deferred revenue did not provide specifics as to their rationale. Some said they were assuming that the PV or other early accrual would be adopted and, if not, then the notion of deferred revenue should be considered.

One respondent commented that the Preliminary View document did not provide sufficient information to respond to the question.
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(updated from May 2007 edition)

Question 6

Comments on the guidance regarding measurement, display, disclosure, and RSI are presented in the last column of Table 2 below.
Table 1 – Tally of Responses by Question

<table>
<thead>
<tr>
<th>QUESTIONS</th>
<th>YES/AGREE</th>
<th>NO/DISAGREE</th>
<th>NO COMMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1. This preliminary views document presents two views of an accounting standard for social insurance. The key difference between the views is the timing of expense and liability recognition for social insurance programs. Which obligating event do you believe creates a liability and expense that should be recognized?</td>
<td>11</td>
<td>22</td>
<td>0</td>
</tr>
<tr>
<td>Q2. Under the proposed liability concept, it would be possible for an item to meet the liability definition but not be recognized in the financial statements because it is not capable of being measured or for other reasons discussed in the [Elements] ED should not be recognized. Do you believe that the Social Security and Medicare obligations are measurable for purposes of recording a liability after 40 quarters or equivalent of work in covered employment as proposed in the Primary View?</td>
<td>21</td>
<td>17</td>
<td>29</td>
</tr>
<tr>
<td>Q3. The Primary View proposes to change the SOSI... The Alternative View proposes to leave the SOSI unchanged but to add a new principal financial statement entitled “statement of changes in social insurance”... 3.1 – Do you believe that the Primary View proposal to add line items to the SOSI that tie to revised expense and liability amounts reported on the statement of net</td>
<td>13</td>
<td>23</td>
<td>31</td>
</tr>
<tr>
<td>Question</td>
<td>PV</td>
<td>AV</td>
<td>Total</td>
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<td>-------------------------------------------------------------------------</td>
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<tr>
<td>3.2 – Do you believe that the reasons for changes in SOSI amounts during the reporting period should be reported and, if so, do you favor such reporting (1) as proposed by the Primary View, (2) as proposed by the Alternative View, or (3) some other approach?</td>
<td>31</td>
<td>3</td>
<td>33</td>
</tr>
<tr>
<td>Q4. The Alternative View proposes that a statement of fiscal sustainability be presented in the consolidated Financial Report of the United States Government. Do you believe the proposal should be adopted?</td>
<td>29</td>
<td>12</td>
<td>26</td>
</tr>
<tr>
<td>Q5. In addition to recognizing the due and payable amount, members supporting the Alternative View believe that the Board should consider recognition of deferred revenue for earmarked revenues in excess of related program costs, for social insurance and other earmarked funds, but as a separate project. … Do you believe that the Board should consider recognizing deferred revenue for earmarked revenues in excess of related program costs?</td>
<td>13</td>
<td>20</td>
<td>34</td>
</tr>
<tr>
<td>Q6. The Primary and Alternative Views include detailed guidance 6.1 Please offer any comments that you wish to make on the Primary View provisions.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>6.2 Please offer any comments that you wish to make on the Alternative View provisions.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Question 1</td>
<td>Question 2</td>
<td>Question 3</td>
<td>Question 4</td>
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<tr>
<td>General</td>
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<tr>
<td>#1 – Allan Lund, individual (retired, former FASAB staff)</td>
<td>(1) Although an exchange transactions are not necessary for liability recognition, Social Security (SS) &amp; Medicare are exchanges. Exchange transactions not always voluntary. Liabilities should be recognized per current law &amp; disclose possibility of change in law in notes.</td>
<td>Obligating event should be work in covered employment, which is consistent with real world experience.</td>
<td>Yes. Statement of Social Insurance (SOSI) is a primary financial statement &amp; can be audited.</td>
</tr>
<tr>
<td>#2 – Douglas Jackson, individual</td>
<td>Agree with the PV. Liability should be recognized per current law.</td>
<td>Agree with PV.</td>
<td>No comment</td>
</tr>
<tr>
<td>#3 – Juan Kelly, individual (consulting actuary)</td>
<td>No general comments.</td>
<td>Obligating event should be work in covered employment. Also, since contributions are recognized as revenue, so should expenses.</td>
<td>Yes.</td>
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<td></td>
<td>No comment</td>
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</table>

(6.1) no comment
(6.2) Re AV, cites SFFAS 5 glossary definition.
<table>
<thead>
<tr>
<th>#</th>
<th>Name and Title</th>
<th>Statement</th>
<th>Position</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>John DeBerge, individual</td>
<td>Federal government entities should abide by rules like those required of PBGC. Obligating event should be work in covered employment.</td>
<td>No comment</td>
<td>No comment</td>
</tr>
<tr>
<td>5</td>
<td>Dan Neeley, individual</td>
<td>PV best meets the needs of users and best accounts for the current state of social insurance (SI) programs. Agree with PV. Work in covered employment has merit, too, but benefit is too uncertain before fully insured. Yes, it’s measurable. SSA’s Social Security Statement is evidence. (3.1) Yes, the PV should be adopted. Illustrates relationship for unfamiliar users. (3.2) Changes should be reported; both proposals okay.</td>
<td>Yes, it’s measurable. SSA’s Social Security Statement is evidence. Yes, consider SOFS s/b in a separate project. No. Current standards okay. No comment</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Jeff Basch, individual</td>
<td>Report total accrued liability of SS and other entitlements. Citizens should be informed. Agrees with PV.</td>
<td>Agrees with PV</td>
<td>No comment</td>
</tr>
<tr>
<td>7</td>
<td>Thomas Boney, Office of the NJ Attorney General</td>
<td>Agrees with PV</td>
<td>Yes. (3.1) No, PV should not be adopted. (3.2) Yes, changes should be reported. Prefers current SOSI plus AV Statement of Changes.</td>
<td>Agrees that SOFS should be adopted. Yes, it’s consistent. PV promotes more comprehensive accounting.</td>
</tr>
<tr>
<td>8</td>
<td>Cary Tessman, WCTC CFO</td>
<td>No difference between timing of recognition of pension and SI. Agrees with the PV. Better matches of benefit w/ period earned. Obligating event should be work in covered employment.</td>
<td>No comment</td>
<td>No comment</td>
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<td>#9 – Jules Cassel, individual (FASB staff)</td>
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<tr>
<td><strong>1)</strong> Supports the PV evolutionary change in SI accounting; similar to FASB evolution. More disclosure is not adequate alternative.</td>
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<td><strong>2)</strong> Agree with PV that an expense/liability may be incurred equally for exchange, non-exchange, quasi-exchange</td>
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<td><strong>3)</strong> Arguments should not be based on matching principle.</td>
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<td><strong>4)</strong> Rejects AV argument re negative affect of PV on reform efforts.</td>
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<td><strong>5)</strong> FASB determined users better served by market-based discount rate.</td>
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<tr>
<td><strong>6)</strong> FASB requires disclosure of funded status based on current conditions.</td>
<td></td>
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</tbody>
</table>

| Obligating event should be work in covered employment, same as for pensions/OPEB. The government’s actions have created an expectation and reliance on despite argument re changes in law. SI is not like Medicaid and other annual programs because there’s a past event. |
| No comment |
| No comment |
| No comment |
| If his obligating event rejected, then he would support deferred revenue approach. |
| No comment |

<table>
<thead>
<tr>
<th>#10 – Pete Rose, individual</th>
</tr>
</thead>
<tbody>
<tr>
<td>SS and RRB are pensions. Medicare, Unemployment Insurance (UI), and Black Lung (BL) are like insurance.</td>
</tr>
<tr>
<td>For SS and RRB, obligating event occurs at “threshold,” including age &amp; filing for &amp; approval of benefit claim. For Medicare and BL, obligating event occurs when claims are approved.</td>
</tr>
<tr>
<td>Yes.</td>
</tr>
<tr>
<td>Existing SOSI needs to be change to reflect pension and ins. nature and obligating events of programs.</td>
</tr>
<tr>
<td>This question would be moot under my proposal.</td>
</tr>
<tr>
<td>Disagrees with AV. Deferred revenue has not been earned and/or is not due to govt. But would defer revenue for</td>
</tr>
<tr>
<td>No comment</td>
</tr>
<tr>
<td>#11 – John Lynskey, Deputy Dir., DFM, NSF</td>
</tr>
<tr>
<td>#12 – Richard Young, individual</td>
</tr>
<tr>
<td>#13 – David Cotton, individual</td>
</tr>
<tr>
<td>#14 – Dick Bode, individual</td>
</tr>
<tr>
<td>#15 – Jessica Opie, Fin. Rptg. Suprv., State of Missouri</td>
</tr>
</tbody>
</table>
### #16 – Henning Bohn, individual (Prof. UC Santa Barbara)

1. Suggests a 3rd way, rather than the PV or AV.
2. Concerned that a disputed standard would damage credibility of US govt.’s financial statements; there should be a consensus before main F/S are changed.
3. Principles – Govt. accounting is most informative (a) when it adheres to widely known and accepted rules and (b) when economically equivalent activities are recorded the same way. SS is equivalent to a mandatory retirement savings plan, which strongly supports the view that SS contributions create liabilities. Legal arguments against it are not absolute and are set aside when feasibility and likelihood are judged, largely by economic arguments.

### #17 – Barry Anderson, OECD

Agree with AV

No specific comments

Supports the AV

Supports the AV

No comment

No comment

### #18 – Richard Hemming, Deputy Dir. Fiscal Affairs, IMF

The IPSASB’s ED re accounting for social obligations will be requiring disclosure [of threshold liability], not recognition. Also, the System of National Accounts is likely to support disclosure. Strongly supports full disclosure of all relevant future cash flows, and the

Agree with the AV. Since per accounting rules, future taxes can not be recognized as asset, the liability should not be recognized. Would

Measurement is complex issue. Next due process document should discuss it

No comment

No comment

No comment

No comment
Social Insurance, Tab A – Attachment 1 – Staff Summary of Responses (updated from May 2007 edition)

<table>
<thead>
<tr>
<th>#19 – Bruce Schobel, individual</th>
<th>Agrees with the AV. Supreme Court ruled SS benefits are not property or a contract. Congress can &amp; has changed benefits. Recognizing a liability for more than “due and pay” would be misleading.</th>
<th>No comment</th>
<th>No comment</th>
<th>No comment</th>
<th>No comment</th>
<th>No comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>#20 – Martin Dickman, RRB IG</td>
<td>RRB IG has a scope issue. The RRB pension tier s/b address explicitly.</td>
<td>Agree with the AV</td>
<td>No comment</td>
<td>Supports the AV</td>
<td>Agree with the AV</td>
<td>No comment</td>
</tr>
<tr>
<td>#21 – John Favret, individual</td>
<td>(1) SI is like defense, parks, etc. (2) PV is logical &amp; may be theoretically supportable but not practical. Public could not understand a huge number on the balance sheet.</td>
<td>Agree with the AV</td>
<td>Any projection beyond 3 years is at best a good guess.</td>
<td>No comment</td>
<td>No comment</td>
<td>No comment</td>
</tr>
<tr>
<td>#22 – Steven Schaeffer, SSA OIG</td>
<td>The FASAB should ensure that any changes to the current SOSI are cost beneficial to all users. Notes OMB-CFOC-PCIE’s current effort to improve cost-effectiveness of</td>
<td>Agree with the AV</td>
<td>No. Assumption changes &amp; changes in laws could cause great (3.1) No, PV should not be adopted. Liability line would be misleading. Prefers SFFAS 17</td>
<td>Does not agree with a SOFS. It would be too costly to develop estimates &amp;</td>
<td>No. Payroll taxes are mandatory and not “deferred” for anything.</td>
<td>Re Q. 6.1, PV would not fully explain change in</td>
</tr>
</tbody>
</table>
financial reporting.

and expense in 

*Elements* ED.

fluctuations.

approach.

result would be
too subjective.

75-year
projection of all
federal
programs
would be too
uncertain. But,
if SOFS is
adopted,
agrees that it
should be RSI
for the FR only.

Federal
GAAP
requires a
specific
critical event
to occur for
revenue
recognition.

(3.2) Agree that
changes should
be reported and
prefers AV, but
should be RSI.

Although PV would
result in double-
counting, seems to
support it, saying
employers &
employees already
expensing SS, &
SSA already
reflects obligation
in SS Employee
Statements, which
if totaled, would be

[See #22 above for same submission for another organization]

Although PV would
result in double-
counting, seems to
support it, saying
employers &
employees already
expensing SS, &
SSA already
reflects obligation
in SS Employee
Statements, which
if totaled, would be

See response to
Q1.

See response to
Q1.

See response to
Q1.

See response to
Q1.

Need to separately
record items of
liability & expense
for SS, Medicare,
and RRB using
pension

NPV.
#26 – Martin Ives, individual (adjunct prof., former NY State Comptroller and FASAB member)

(1) D&P recognition is illogical; SFFAS 5 liability definition, which he prefers to Elements, met earlier than that. AV arguments that the collection of payroll taxes is separate & unrelated to benefit payments & the government is free at any time to walk away from SI commitments is unsupportable from accounting, public administration & political perspectives. SI programs have citizens’ support because they perceive an exchange, and Congress and SSA have reinforced that perception.

(2) AV argument re mismatch of cost & service is inappropriate. Accrued expense under PV are current expenses, even though cash benefits will be received in the future. SI programs are like pensions and OPEB.

(3) Obligating event s/b WICE; but he fully supports the PV. S/b no diff. bet. SI & pension accounting.

Yes, it’s measurable. Actuarial calculations made with reasonable accuracy for many years. The 40 QC event will result in greater accuracy than the current 75-year projection.

Agrees with the PV.

Yes, the SOFS should be considered in a separate project.

No comment

No comment

#27 – Steve Goss, SSA Chief Actuary

(1) AV is consistent with long standing views of FASAB; PV does not make a compelling case for change.

Agree with the AV. Fully insured status is an insufficient obligating event. Even “permanent fully insured status” is insufficient. Too uncertain. No binding commitment until

No, “fully insured status” is too uncertain a measurement point.

(3.1) No, PV should not be adopted. Display would be misleading & inappropriate. Future taxes would have to be assets if future benefits are liability.

Yes, SOFS would be useful and informative but should be fair and appropriately presented. The AV table with present values, per capita

Further research into this concept may be beneficial, but it should be a separate project.

Re Q. 6.2, AV SOFS and sustainabilty reporting should present annual flows as a percent of
benefits until they are due and payable. payment is due. possibilities are impractical.

(3.2) Agree changes should be reported. Prefers AV.

#28 – Louis Weisz, individual (consulting actuary)
Recognition of pension liability is appropriate in the private sector but not for SI. The federal budget and most federal programs are not advance-funded. SS is a pay-as-you-go program. Congress can change SI. Thus, SI benefits can not be classified as liability. SI is only non-binding obligation.

Agree with the AV. No, not measurable. "Fully insured status" is too uncertain.

(3.1) No, PV should not be adopted. (3.2) Agree changes should be reported and says AV is superior.

#29 – Daniel Kovlak, FISC Chair, Greater WDC Society of Each SI program is different. FASAB should address them individually. Pension-type programs should follow pension accounting and the insurance-type programs should follow insurance accounting. Obligating event should be work in covered employment. The AV view of liability is very narrow. People expect & want full accrual. Yes, it’s measurable as a liability.

(3.1) Yes, the PV should be adopted. (3.2) Agrees that the reasons for change should be reported Prefers

Yes, SOFS would be useful & informative; should be developed if fair & appropriately presents prospects of all federal programs. The AV table is inappropriate re "sustainability".

Further research into this concept may be beneficial, but it should be a separate project.

Under preferred approach, deferred revenue would not be necessary. If AV adopted, (6.1) Likes stochastic graphs. If PV adopted, explain more re SI nature.

GDP, not PV point estimates and ratios.
CPAs

accounting, which should be based on current law. Rejects the amount-is-too-big-to-record argument.

the PV approach.

then deferred revenue would need to be developed.

Generally, more guidance needed.

### #30 – Sheila Weinberg, Institute for Truth in Accounting

1. PV is more transparent.
2. SI based on a promise that “contribution” held in trust & then paid out in retirement; contribution and benefit are linked. Rejects AV that benefits are non-exchange transaction. SI benefits are a well-established social contract.

3. To help public evaluate elected official’s decisions, display any actuarial cost of benefit level adjustments enacted during the period.

4. Agree with AV that recognition of future SI benefits on the financial statements will diminish other liability and expense, but asserts that that should be viewed positively since it reflects reality.

Agree with PV

Yes. It represents a common actuarial application.

Yes, PV should be adopted.

A SOFS presented in MD&A would be useful, especially if inter-period inequities were clearly displayed. Questions whether such a statement would be auditable.

Deferred revenue should not be considered. Earmarked taxes are not a liability to taxpayers.

Should not include taxes to be paid in the future or benefits to be earned in the future in the liability measure.

There are substantia l accrual accounting & financial reporting issues before measurement details can be worked on.
<table>
<thead>
<tr>
<th>#31 – Mark Jenson, NASA OIG</th>
<th>Agree with PV. Otherwise incomplete reporting results. Criteria of liability recognition are satisfied at that point. Accounting should reflect current law.</th>
<th>Yes, it's measurable. <em>Elements</em> ED says that certainty is not required &amp; accounting should be based on current law.</th>
<th>(3.1) Yes, PV should be adopted. Relationships will be better understood.</th>
<th>Agree that the SOFS should be presented in the FR as RSI.</th>
<th>No, no difference between earmarked and non-earmarked revenue &amp; current standards are appropriate.</th>
</tr>
</thead>
<tbody>
<tr>
<td>#32 – Richard Skiba, individual</td>
<td>Agree with PV. Contributions now for benefits later is an exchange. Should display effect of changes in benefits enacted during the fiscal year on the face of the financial statement.</td>
<td>Yes, SI obligations are measurable. It represents a common actuarial application.</td>
<td>No comment</td>
<td>The PV pro forma SOSI is the should be basis for a sustainability statement rather than a financial statement. A SOFS presented in MD&amp;A would be useful, especially if inter-period inequities were clearly displayed. However, the SOFS would be unauditable.</td>
<td>No comment</td>
</tr>
</tbody>
</table>
### Social Insurance, Tab A – Attachment 1 – Staff Summary of Responses (updated from May 2007 edition)

<table>
<thead>
<tr>
<th>#33 – Peter Wozniak, Office of State Auditor NJ</th>
<th>Agree with the AV. SI benefits are not guaranteed. SI is general welfare &amp; subject to non-exchange accounting. There is no promise or exchange. Congress can change benefits.</th>
<th>No comment</th>
<th>No comment</th>
<th>No comment</th>
<th>No comment</th>
<th>No comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>#34 – Eric Klieber, individual (actuary)</td>
<td>Recognition of future SI benefits as liability is inappropriate. They are not advance funded. SS is a pay-as-you-go program. Congress can change SI benefits at any time. They are non-binding obligations.</td>
<td>Agree with AV. Rejects “fully insured” obligating event because (1) a worker can lose such status and (2) the law can be changed.</td>
<td>No, they are not measurable.</td>
<td>(3.1) No, PV should not be adopted. Inconsistent with liability definition &amp; funding &amp; nature of program.</td>
<td>No, SOFS would not be useful. Just one more competing view. Analysis should be left to non-govt. analysts.</td>
<td>Further research into this concept may be beneficial, but it should be a separate project.</td>
</tr>
<tr>
<td>#35 – Jagadesh Gokhale, Cato Institute</td>
<td>(1) Proper govt. fiscal management requires forwarding-looking information that is easy-to-understand &amp; use re whether policies are sustainable &amp; how fiscal burdens distributed. PV would not introduce any new fiscal measures; it would alter traditional measures, e.g., national debt, annual budget deficit &amp; net operating costs. The</td>
<td>Agree with AV</td>
<td>No comment</td>
<td>No comment</td>
<td>Supports the AV to add reports on sustainability &amp; stewardship. Recommends integration of such information into the Statement of Net Cost</td>
<td>No comment</td>
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</table>
**Social Insurance, Tab A – Attachment 1 – Staff Summary of Responses (updated from May 2007 edition)**

PV will not enhance the info.

(2) Accrued liability for SS & Medicare is more forward looking than due & payable, but recognition of accrual may limit policy choices & be inconsistent with FASAB’s objectives. Should display all current and future commitments under current policy.

(3) Does not support the PV.

| #36 – Edward Murray, DVA Deputy Asst. Sec. for Finance | Agree with the AV. Future-scheduled obligations are not liabilities; they are not contractual commitments. An individual’s benefits not directly tied to the taxes paid & therefore benefits not exchange. The govt.’s power to change the law affects liability existence. | No, not measurable for liability. | (3.1) No, the PV should not be adopted. (3.2) Agrees changes should be reported, as proposed in the AV. | DVA supports a SOFS presented in the FR. Deferred revenue should be considered. | RE Q. 6.1, PV inconsistent with liability definition. |

| #37 – David Certner, AARP legis. affairs | (1) How SI programs are accounted for in the FR has a significant effect on the way these programs are viewed & could influence the timing & specifics of programs changes. The AV depicts SI accurately as pay-as-you-go program & is useful | Agree with AV. It acknowledges that benefits are uncertain until paid. PV uses “liability” to mean contractually &/or legally bound, which SI benefits | No, it is unrealistic. Also, changes in balance sheet position would | (3.1) No, the PV should not be adopted. Associated power to tax would not be displayed on balance sheet. | No objection to SOFS but has strong concerns about the infinite horizon forecast. Also, does not | Deferred revenue liability may appear contradictory to the AV that there are no present. Infinite horizon forecast not helpful & may mislead; results in a false |
to lawmakers & the public.

(2) PV could diminish the likelihood of reform. Recent reform proposals have promised not to alter benefits to retirees or near-retirees, but could affect others in the “fully insured” group. The reporting per the PV could create political pressure and make reform harder.

<table>
<thead>
<tr>
<th>#38 – Ron Queen, Tenn. Comptroller</th>
<th>Agree with PV. It meets pension and OPEB recognition standards. User should see future calls on U.S. resources.</th>
<th>Yes, an accounting estimate can be made in a similar manner to pensions and OPEB.</th>
<th>(3.1) Yes, the PV should be adopted.</th>
<th>Agrees that a SOFS should be adopted. AV sustainability info. very appealing. It’s vital info.</th>
<th>Agrees that the Board should consider deferred revenue.</th>
<th>(6.1) Likes the PV guidance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>#39 – Dale Sopper, SSA CFO</td>
<td>Agree with the AV. Scheduled future benefits are not fixed legal contractual obligations. Congress can change them. SI transactions are non-exchanges for which the obligating event is due &amp; payable.</td>
<td>There is a great deal of uncertainty associated with measurement at 40 QC.</td>
<td>(3.1) No, PV should not be adopted. Strongly disagree with PV position of adding line items to the balance sheet and SNC.</td>
<td>Agree that the SOFS should be developed. The AV table provides useful information re the 75-year projections. Values for the infinite horizon are not useful and should be deleted.</td>
<td>Further research into this concept may be beneficial, but it should be a separate project.</td>
<td>Strongly disagree with PV position emphasizing new and different liability; would be confusing.</td>
</tr>
<tr>
<td>#40 – Frank Buzzi</td>
<td>Both PV &amp; the AV distinguish between the SS equivalent portion &amp; the rail pension portion of RR</td>
<td>Agree with the AV.</td>
<td>No comment</td>
<td>No comment</td>
<td>No comment</td>
<td>No comment</td>
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<tr>
<td>RRB Chief Actuary</td>
<td>benefits. Social security equivalent benefits should be classified as SS system's liability rather than RR system's.</td>
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<td>#41 – Congressmen Rangel, McNulty, and Stark</td>
<td>(1) As users of federal reports, we are aware of the current &amp; expected future state of SI programs &amp; understand the need to address future shortfalls. The PV proposal would not make our understanding clearer &amp; could serve to mislead the public about the govt.'s capacity to make program and funding adjustments.&lt;br&gt;(2) PV is inconsistent. It does not apply the new accounting to Medicaid or defense spending. Also, it would not list potential revenue as assets.</td>
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<td>#42 – Thomas McTavish, Michigan Auditor General</td>
<td>Deliberate quickly on this issue. Such accounting and reporting becomes essential when there is significant doubt regarding the sustainability of the programs. This information is essential for the Congress and the President to make informed decisions on these</td>
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<td>Agree with PV. PV is based on private pension accounting. Govt. is unique, has characteristics making such accounting impractical and inappropriate. The govt. can modify its obligations. SI benefits are not contractual.</td>
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<td>Agrees with AV. PV is a reasonable balance between “threshold” event and beginning work in covered employment.</td>
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<td>Yes, the 40 QC obligation is measurable.</td>
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<td>(3.1) No, the PV should not be adopted at this time.</td>
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<td>(3.2) Supports the AV display, which he characterizes</td>
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<td>Agree that the SOFS should be developed. Very helpful information for Congress, President, and current and</td>
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<td>No, do not see a need for it. Would like to know results of <em>Elements</em> project to better assess</td>
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<td>Disagree with the AV’s that sustainability can be assessed via the infinite horizon. Also, point estimates do not show timing, level and trend, and ratios using current workers who are not going to pay.</td>
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<td>#43 – Terry Bowie, NASA CFO</td>
<td>Si is significantly different from other types of retirement programs in the private sector. PV would negatively affect the govt.’s ability to produce useful financial statements for decision making and their complexities would present problems for preparers and users.</td>
<td>Agree with AV. PV does not consider that current law changes and inability to accurately estimate offsetting future income.</td>
<td>No, SS and Medicare obligations are not measurable at 40 QC.</td>
<td>(3.1) No. PV should not be adopted. Makes financial statements more complex &amp; not more understandable. (3.2) Yes, report changes. Agree with AV re format. Information should be RSI.</td>
<td>The SOFS should be studied. It is complex &amp; would be extremely difficult to prepare, but would bring attention to issues. Disagree with recognizing deferred revenue. Disclosure is sufficient. (6.1) PV would result in excessive cost and unreliable estimates. (6.2) Supports the AV but further analysis is needed re disclosure &amp; formats.</td>
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| #44 – Ron Von Elm, UHY LLP, CPAs | Regarding GASB nonexchange revenue classifications, SI taxes are more like derived taxes than involuntary transaction, as AV | The obligating event should be wages earned subject to SI taxes [equivalent to work] | Yes. And, measure the entire obligation, vested and | (3.1) No. The financial statements & SOSI should not articulate. It would measure intergenerational equity by | No. No, because all accrued cost should be accounted for. But, if | (6.1) Measure intergenerational equity by |
| #45 – Joseph Cummings, DOL OIG | (1) UI & BL should follow PV as well. Agree with PV. SI is similar to defined benefit. Should be accounted for like FAS 87. Yes, they are measurable. (3.1) No, lines should not be added to SOSI. Current display is clear. Agree with the AV that FR should have SOFS as RSI. Current standards are adequate but if deferred revenue is considered it | would have it. in covered employment. Benefits are based on both time worked & wages received over lifetime. An obligation & expense should be recognized based on an actuarial assumptions & probabilities. Agrees with Elements that govt.’s power to change law does not preclude liability recognition. not yet vested. diminish the importance of the balance sheet amounts. There should be a “bright line” distinction between these statements. (3.2) Yes, the reasons for change should be reported. Supports note disclosure re the change in the obligation. liability is recognized for less than that, then consider recognizing deferred revenue for the excess. recognizing full accrued cost and liability. (6.2) Large SI amounts on the balance sheet will not diminish importance & size of other expenses & liabilities. Reality is that SI programs are huge. Notes & RSI not urgent enough. This is similar to FAS 87. |
Both PV and AV address liability recognition.

(3) Both PV and AV provide different treatment for the same type of SI information.

| #46 – Kenneth Buffin, Chair, Social Ins. Committee, American Academy of Actuaries | Recognition of all future pension obligations as liabilities based on service to date is appropriate for the private sector where advance funding is critical and taxing power is absent. SS operates on a pay-as-you-go basis. The govt. can change SS at any time. Such benefits can not be classified as liability. They should continue to be referred to only as non-binding obligations. | Agree with AV. The govt. can alter or even eliminate future benefits. It is simply not possible to declare that an obligating event until payment is due. There is no binding commitment. | No, they are not measurable for liability purposes. Things can change; it is too uncertain that insured status will persist. |
| #47 – Joseph Vengrin, HHS Deput IG | Agree with the AV. Not a contractual right. 40 QC event does not meet SFFAS 5 liability definition. | No, they are not measurable for liability purposes. Things can change; it is too uncertain that insured status will persist. | Agree that a SOFS would be useful in the FR but only if fairly and appropriately representing the prospects for all federal programs. |
| #48 – S. Reed, individual | Agree with PV. Yes. | Yes, SOFS should be adopted. It shows | Yes, consider it if excess is to be paid back to a |

(3.2) Yes, report changes. Favor AV. It reports reasons for change.

(3.1) No, PV should not be adopted.

(3.2) Changes should be reported. The AV approach is superior; the AV table is informative.

(3.1) No, PV should not be adopted.

(3.2) No, reasons for changes in SOSI should not be adopted as proposed. Costly to prepare & audit of stmt. of changes & little practical use.

No, the SOFS should not be adopted as written. The current SOSI is adequate.

No, should not be considered. The bookkeeping would be difficult. Also, deferred revenue pertains to exchanges.

No comments
<table>
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<th>#</th>
<th>Name</th>
<th>Position</th>
<th>Opinions</th>
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</thead>
<tbody>
<tr>
<td>#49</td>
<td>PCIE Audit Com. subgroup (Steve Schaeffer) [also see letters 22 and 24 above]</td>
<td>Speaking as PCIE representative, May 23</td>
<td>Agree with AV. AV maintains SFFAS 17 &amp; consist with <em>Elements</em> ED. PV does not consider future income and changes in assumptions &amp; laws could distort the liability. No. 40 QC is too soon to measure. (3.1) No, PV should not be adopted. “Due &amp; payable” is the expense. PV will lead to misinterpretations. (3.2) Yes, changes should be reported. Agree with AV display. It’s more info. but s/b RSI. No. Too costly and subjective to estimate costs for all programs over 75 years. But, if SOFS adopted, should be for FR only &amp; be RSI. No, should not be considered. SI is a tax. Also, it would affect SFFAS 27, which requires GAAP disclosure &amp; requires an event for revenue recognition. (6.1) PV would put estimates on the financial statement that may make auditors skeptical and would not fully explain changes.</td>
</tr>
<tr>
<td>#50</td>
<td>M. Zeigler, individual (director of finance, Metro. Sewage district, Asheville, NC)</td>
<td></td>
<td>Agree with PV. It’s economic reality. Rights &amp; obligations established in law. Yes. State and locals governments and private entities estimate defined benefits. No comment Yes. Sustainability information is vital for federal managers, elected officials, citizens, and holders of Treasury debt. Intergenerational info. of non-federal party.</td>
</tr>
</tbody>
</table>
#51 – Tom Prince, individual (professor, Kellogg School, NWU)

Agree with PV. Would provide limited financial disclosures. Would not report current obligations (line16g) on balance sheet because doing so makes it too easy for quick political decisions.

Would not report current obligations (line16g) on balance sheet.

Does not concur with either PV or AV. Would add new tables with demo. data.

A SOFS should provide more demographic data.

No, should not be considered.

Suggests healthcare assessment information.

The tables in Appendix B omit the dynamic increases occurring in healthcare.

#52 – Charles Grassley, Ranking Member, Committee on Finance, US Senate

The unique characteristics of SS and Medicare (e.g., law can be changed, payment authority is limited) preclude liability recognition beyond due & payable, which is consistent with FASB SFAC #6. Rather than accept that SI obligation under current FASAB liability definition is due and payable, the PVers are changing the FASAB definition. Govt. activities do not conform to private sector accounting concepts & FASAB should not be forcing them to do so. Instead, improve SOSI.

Agree with AV. Benefits beyond current period depend on continuing eligibility & are subject to change.

PV liability measure is flawed; it does not consider statutory limits on SS payments. Also, future cost of Medicare is unknown.

Does not concur w/ either PV or AV. Present values in dollars are not understandable. SI is a pay-as-you-go program & should be displayed as percent of taxable payroll. Also, projected cost should be shown on a “forward funded” basis reflecting a blend of infinite horizon and sustainable solvency.

FASAB has sensibly undertaken the sustainability project. Any changes in SOSI should await its outcome.

No comment

Proposes a “forward funding” methodology for depicting financial status of SI and makes other reporting suggestions.
<p>| #53 – KPMG | Views generally consistent with PV. | Obligating event should be work in covered employment. Liability definition per <em>Elements</em> ED is met at that point. Taxes for promise of future benefits is an exchange. | Yes. It is measurable per current law. | (3.1) Agree w/ PV SOSI line items. Liability &amp; expense should be correlated. | SOFS should be addressed via a separate project. | Deferred revenue is not essential if obligating event is work in covered employment. SFFAS 27 requires disclosure. | No comments |
| #54 – Thomas Meseroll, Office of State Auditor, NJ | Agree with AV. Similar to govt. funds for state &amp; local govts. Support AV conceptual arguments. | No comment | No comment | SOFS should be adopted. Policymakers need this info. | Board should not consider deferred revenue. No matching concept. Possibly reserve fund balance. | No comments |
| #55 – R. Childree, chair, AGA FMSB | Govt. accrual accounting should provide the processes, procedures, &amp; reporting formats to calculate &amp; disclose the estimated costs of policy obligations. Should “table” the Prelim. Views discussions until Sustainability Task Group finishes work, after which it will be easier to make decisions. | Yes. Best estimate is better than (3.1) Yes, SOSI line items should articulate with financial | No comment | No comment | Task Group should complete its work before decisions made re Preliminary View. | No comments |
| #56 – G. Boaz, AGA Nashville | Should “table” the Prelim. Views discussions until Sustainability Task Group finishes work, after which it will be easier to make decisions. If Agree with PV but would prefer an earlier point for substantial meeting | Yes. Best estimate is better than (3.1) Yes, SOSI line items should articulate with financial | Yes, a SOFS should be developed. | No, deferred revenue should not be considered. | No comments | No comments | No comments |</p>
<table>
<thead>
<tr>
<th>#57 – C. Chocola, individual (former congressm)</th>
<th>Strongly supports the PV. It would achieve transparency and accountability and highlight the fiscal implications of costs incurred in the period.</th>
<th>Agree with PV.</th>
<th>No comment</th>
<th>No comment</th>
<th>No comment</th>
<th>No comment</th>
<th>No comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>#58 – AICPA, FASAB SI TF and Govt. Auditing and Accounting division</td>
<td>Govt. financial statements are used to monitor performance &amp; stewardship &amp; even more importantly to assist citizens &amp; their elected reps. &amp; civil servants to formulate policy. Financial statements should provide neutral information. The PV is more consistent with the overall purpose of financial statements &amp; will provide better information. Govt. financial statements are most useful to users when comparable in methodology with commercial &amp; not-for-profits &amp; state/local entities.</td>
<td>Prefer work in covered employment but, if choice is PV or AV, prefer PV. SI are exchanges. AV interpretation of liability is too narrow.</td>
<td>Yes. SSA &amp; CMS are already doing 75-year estimates, so should not be additional cost. Present value method reduces effect of uncertainty. Supports disclosure of ranges.</td>
<td>(3.2) Supports reporting the reasons for changes. Prefers PV approach.</td>
<td>(3.1) Agree line items should be added.</td>
<td>PV information is more appropriate than a SOFS for GAAP financial statements. However, does not oppose R&amp;D guidance for sustainability reporting; but not as a substitute for financial statements.</td>
<td>Not enough detail to comment; but, if AV adopted, no choice but to pursue it. Next exposure document should develop it.</td>
</tr>
</tbody>
</table>
| #59 – R. Kogan, Center on Budget & | (1) It is misleading to treat projected future SI cost as a liability. SI laws can be & are changed. Future SI payments are not equivalent to | Appears to agree with the AV. | No comment | No comment | No comment | No comment | No comment | Present values should never be
Policy Priorities

future interest on federal debt “that has already been issued,” or future payments re guarantee loan contracts or insurance contracts “that have already been signed.” In fact, federal civilian & mil. retirement benefits aren’t contracts, either. Such costs are okay to accrue for internal mgt. purposes but not for govtwide. costs.

(2) SS & Medicare are not exchange transactions. Taxes are compulsory & benefits mandated by law. They’re no more a right than, e.g., food stamps, SSI, or other general fund program from which SI differs only by having earmarked taxes. Earmarked taxes make no economic or legal difference, but they do create a greater political commitment. The Trustees’ Report explains this well; no need for FASAB to replicate it.

(3) Medicare Parts B & D differ from SS & Part A. They are general fund programs like food stamps & defense for which an “unfunded liability” concept is misleading. Both PV and AV are off track in this regard.

#60 – Joseph Minarik

PV objectionable because (1) it doesn’t consider future revenue, (2) SI is subject to future legis. & therefore doesn’t meet definition of

expressed in dollars but as a percent of GDP, tax base, etc. Disagrees strongly infinite horizon projection s for entire govt. Recomme nds a 50-year horizon.

Strongly supports AV.
Social Insurance, Tab A – Attachment 1 – Staff Summary of Responses (updated from May 2007 edition)

| #61 – CG Walker | Recognition of future SI benefits would mismatch costs, & diminish other exp. and liab. Amounts are uncertain and unreliable. SI & other non-exchanges are unique to govt. and different from exchanges. | Strongly agree with AV. Retain SFFAS 17. | No. | No change in SOSI is necessary. Changes should be reported and agree with the AV. | Yes. Strongly agree with AV | Yes. |
| #62 – Mike Shannon | Supports an PV-like position. | | | | |
| #63 – Alison Frasor | The FR Exec. Summary presents a clear picture. | Agrees with AV. PV doesn’t include future revenue. | Prefers AV approach re SOSI and reporting changes | No, existing analyses have necessary rigors. | Yes. |
| #64 – S. Schieber, SS Advisory Board | Defers to the expertise of the FASAB in re SI accounting but urges adoption of accounting re SS finances that is consistent with nature of program & that will have broad support and be consistent with Congressional analysis. | | | No, it should not be adopted. | Deferred revenue should be considered in |
| #65 – Congress man | Agrees with the PV. It’s consistent with public | Yes, it’s measurable. | Supports PV. | | |
### Social Insurance, Tab A – Attachment 1 – Staff Summary of Responses (updated from May 2007 edition)

<table>
<thead>
<tr>
<th>Name</th>
<th>Comments</th>
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<tbody>
<tr>
<td>#66 – Bob Bixby, Concord Coalition</td>
<td>Agrees with the AV. It reflects SI’s essential nature. No, it can’t be measured with needed certainty. Supports AV proposal.</td>
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<td>#67 – Congress man Kirk</td>
<td>Supports the PV.</td>
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For additional comments from respondents, see the columns for “General Comments” and for Question 6 in the above table.