



August 14, 2009

Memorandum

To: Members of the Board

From: Richard Fontenrose, Assistant Director

Thru: Wendy M. Payne, Executive Director

Subj: TAB B, Staff Continuing Analysis Regarding the Issues Associated with the Exposure Draft *Accounting for Social Insurance, Revised*¹

MEETING OBJECTIVES

To continue to consider issues regarding the exposure draft *Accounting for Social Insurance, Revised*, of November 2008 ("SI ED"). Decisions made at the meeting will enable staff to resolve issues and prepare either another exposure draft, if the Board proposes a new basic financial statement or other concepts or standards needing re-exposure, or a draft final standard.

STAFF ANALYSIS

Staff memoranda for June and April, 2009, discussed nine issues associated with the SI ED dealing with (1) reporting options, (2) other issues from the SI ED, and (3) accounting for deferred revenue. The numbering of issues and sub-issues in this memorandum is continued from April and June, i.e., 1 through 9, with Issue 1 having six sub-issues. The Board has resolved some of these issues.² Although all nine issues are presented here for reference, this memorandum addresses the following remaining issues:

Issue 1 – [The Board has addressed Issue 1, which asked whether there should be a new "basic" statement, affirmatively. However, all but one of the "sub-issues" associated with Issue 1 remain to be addressed as follows:]

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

² Attachment 5 presents tables documenting the results of most Board votes.

Sub-issue 1.1 – Regarding format, should the new “basic” statement be combined with the balance sheet or should it be a separate, additional statement with the current balance sheet continuing as it is?

Sub-issue 1.2 – If presented together on in statement or table, should the amounts for social insurance "responsibilities/commitments" and for liabilities be added together?

Sub-issue 1.3 – Should the social insurance project amend SFFAC 5 to define concepts for "responsibilities" or "commitments"?

Sub-issue 1.4 – Should the social insurance project amend SFFAC 2 to include display concepts for a new “basic” statement?

Sub-issue 1.6 – What social insurance amounts [closed group measure or open group measure] should be presented on the new “basic” statement?

Sub-issue 6 – Should the standard require note disclosure of an accrued benefit obligation?

NEXT STEPS

Prepare a “track changes” edition of the complete social insurance standard either as another exposure draft or as a draft final standard, depending on whether the Board decides to propose a new basic financial statement or other concepts or standards for re-exposure.

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TAB B (August 2009) – Issue 1 and Associated Sub-issues

1 Staff memoranda for June and April discussed nine issues. Issue 1 addressed the question of a
2 new “basic” statement. Sub-issue 1.1 involved the format for the new statement.

3 4 **Issue 1 – Should the staff develop a new “basic” statement?**

5
6 Regarding Issue 1, the Board voted in April in favor of the notion of a new “basic”
7 statement within the social insurance project, without specifying the format.³ The notion
8 of a new statement originated in February, 2009, when a FASAB member supported a
9 respondent’s opinion, voiced at the social insurance hearing that month, favoring the
10 “Overall Perspectives” table in the FY 2004 Financial Report (“FR”) as a good vehicle to
11 communicate social insurance information, and other members reacted favorably.

12
13 The Board also has discussed an approach involving management’s discussion and
14 analysis (“MD&A”). In fact, the SI ED required⁴ the preparer to discuss key measures in
15 the MD&A, and included an optional “Key Measures Table” for which it provided a pro
16 forma example (see Attachment 1, Illustration 4 – Key Measures Table from Social
17 Insurance).⁵ In June, 2009, Mr. Dacey introduced a table that could be part of MD&A
18 (see Attachment 1, Illustration 3 – The Bob Dacey Table) in which several members
19 expressed interest.

20
21 Although it voted in favor of the concept of a new “basic” statement within the social
22 insurance project, the Board may wish to consider requiring a table in the MD&A as an
23 alternative. A new “basic” statement would require re-exposure of the social insurance
24 proposal, and the Board has an on-going project reconsidering the reporting model.

25
26 When it considers formats for a “basic” statement immediately below under “Sub-issue
27 1.1,” the Board will note that the formats discussed could serve as a table in MD&A, in
28 which case they would, of course, represent required supplementary information (“RSI”)
29 rather than “basic” information. For example, the “Overall Perspectives” table from the
30 FY 2004 FR mentioned above could serve as a table in the MD&A instead of a basic
31 statement.

³ See Attachment 4, Table 11 – April 2009 Vote on a New Basic Statement. The question of whether the new statement would apply to both the governmentwide and component entities will be considered in due course.

⁴ See Attachment 2 – Social Insurance Exposure Draft, Paragraphs Presenting the Standard (#26-38) for the principal SI ED paragraphs.

⁵ One of the primary proposals in the SI ED, in addition to the proposals for MD&A, was to present the closed group measure on the balance sheet below assets, liabilities, and net position and not include in any of the totals for these classifications (see SI ED par. 32), which was framed as a compromise. Based on due process feedback and other considerations, the Board decided not to go forward with that approach.

1 ***Sub-issue 1.1 – Regarding format, should the new “basic” statement be***
2 ***combined with the balance sheet or should it be a separate, additional***
3 ***statement with the current balance sheet continuing as it is?***

4
5 Issue 1.1 involves the format for the new statement. The Board has discussed various
6 options in that regard.

7
8 Members expressed tentative preferences for two options. Staff believes there was
9 support among the members, first, for an option that would combine the balance sheet
10 and summary information about social insurance (see Attachment 1, Illustration 2a –
11 Balance Sheet and Social Insurance Section and Illustration 2b – Balance Sheet and
12 Social Insurance Section with GDP Percentages). And, second, there was support for a
13 new “basic” statement separate from and not affecting the balance sheet that would
14 include some or all balance sheet amounts as well as social insurance amounts (see
15 Attachment 1, Illustration 1 – Overall Perspective Table from FY 2004 Financial Report,
16 for example).⁶
17

**Issue 1.1 – Regarding format, should the new “basic” statement be
combined with the balance sheet or should it be a separate, additional
statement with the current balance sheet continuing as it is?**

18
19 ***Sub-issue 1.2 – If presented together on a statement or table, should the***
20 ***amounts for social insurance “responsibilities/commitments” and liabilities***
21 ***be added together?***

22
23 The Board has discussed whether “responsibilities” or “commitments” and liabilities
24 should be added together. Some argue that these amounts should be added because
25 everyone who publicly discusses these amounts adds them together. They cite the
26 Peterson report, former Comptroller General Walker’s presentations, and even the
27 Financial Report of the United States Government. Others counter that these amounts
28 are fundamentally different, that they are “apples and oranges”; and/or, that proper
29 context is needed as in the “long-term projections statement”; and/or, that readers can
30 add them up if they want to, since the new statement conveniently would present the
31 amounts in close proximity. Some members said there is a substantial difference
32 between private parties adding these amounts up and the federal government doing it.
33 The latter connotes the imprimatur of the federal government.
34

⁶ See Attachment 4, Table 12 – April 2009 Summary of Statement Preferences, and Table 15 – June 2009 Vote on Statement Formats present the members’ views as of April and June.

TAB B (August 2009) – Issue 1 and Associated Sub-issues

1 The Board’s discussion in June seemed to indicate a preference for a non-additive
2 approach.
3

Sub-issue 1.2 – If presented together on a statement or table, should the amounts for social insurance "responsibilities/commitments" and for liabilities be added together?

4
5 ***Sub-issue 1.3 – Should the social insurance project amend SFFAC 5 to***
6 ***define concepts for "responsibilities" or "commitments"?***

7
8 In April, 2009, staff recommended amending SFFAC 5 to provide conceptual basis for
9 the “responsibilities” and “commitments” – two terms used in the SI ED that some
10 respondents questioned. The staff argued that the absence of a conceptual foundation
11 for what appear to be fundamental elements detracts from the standard. The SI ED had
12 not tried to present a conceptual basis for these terms, proposing instead that concepts
13 for “commitments” follow in due course in other FASAB projects. Many respondents
14 found this point unpersuasive or ignored it.

15
16 Alternatively, at the April meeting, a member mentioned an approach where the
17 standard would not use the terms “responsibilities” and “commitments” per se and
18 therefore not introduce any new elements or concepts. Instead, social insurance
19 amounts would be presented, for example, under the heading “social insurance” or
20 “social insurance summary” or other similar terminology, in which case new concepts
21 would not be needed. The member noted that the amounts already exist on the SOSI
22 and on the new “statement of changes in social insurance amounts” and “statement of
23 long-term projections” and the Board has not felt the need to develop concepts for them.

24
25 Upon further consideration, the staff recommends the approach described in the
26 preceding paragraph. This would allow the Board to realize what it has accomplished
27 with respect to new MD&A, financial statements, and disclosures, rather than delaying
28 that realization while analyzing another set of issues. Amending SFFAC 5 would require
29 re-exposure.
30

Issue 1.3 – Should the social insurance project amend SFFAC 5 to define concepts for "responsibilities" or "commitments"?

31

1 **Issue 1.4 – Should the social insurance project amend SFFAC 2 to include**
2 **display concepts for a new “basic” statement?**

3
4 In April, 2009, the staff had recommended expanding the display concepts to include the
5 new statements, which would involve amending SFFAC 2. This would require re-
6 exposure. Having SFFAC 2 address all the financial statements seemed desirable.

7
8 However, as mentioned above with respect to amending SFFAC 5, not amending
9 SFFAC 2 at this time would allow the Board to finalize what it has accomplished with
10 respect to new MD&A, financial statements, and disclosures. In addition, the “long-term
11 projections” project the Board recently completed requires a new statement without
12 amending SFFAC 2.

13
14 **Issue 1.4 – Should the social insurance project amend SFFAC 2 to include
display concepts for a new “basic” statement?**

14

15 **Issue 1.5 – Should the statement include more than social insurance**
16 **amounts, especially, should it include the “rest of government” or other**
17 **long-term projections/“fiscal sustainability” amounts)?**

18
19 Regarding issue 1.5, the staff believes the Board did not support including non-social
20 insurance amounts in the new basic statement.

21

22 **Issue 1.6 –What social insurance amounts [closed group measure or open**
23 **group measure] should be presented on the new “basic” statement?**

24
25 Regarding issue 1.6, staff recommended in April, 2009, and continues to recommend
26 using the open group measure in the new statement. This is consistent with staff’s
27 recommendation for Issue 2 (see below) regarding “featuring” the open group measure;
28 and with Issue 7 (see below) regarding the Board’s decision not to present a line item on
29 the statement of net cost for the change in either the open or closed group measure.

30

**Issue 1.6 – What social insurance amounts [closed group measure or open
group measure] should be presented on the new “basic” statement?**

TAB B (August 2009) – Other Issues

1 Other Issues

2 ***Issue 2 – Should the standard “feature” the closed group measure (this is Question for*** 3 ***Respondents 7 from the ED)?***

4
5 The Board has resolved this issue. In April 2009, the Board voted in favor of “featuring”
6 the open group measure.⁷ “Featuring” means the measure would be used as the
7 primary subject of the narrative⁸ and numerical presentations. The latter includes the
8 “bottom line” of the SOSI summary section and the measure for which changes are
9 reported in the new “statement of changes in social insurance amounts.” (See
10 illustrations of the SOSI summary and of the statement of changes in social insurance
11 amounts at Attachment 1, Illustration 5 – Statement of Social Insurance, Summary
12 Section, Dollars Only, and Illustration 8 – Statement of Changes in Social Insurance
13 Amounts.) It would not mean, however, that the closed group measure may not be
14 discussed. In June, 2009, the Board voted to require such discussion in the MD&A.⁹

15

16 ***Issue 3 – Should the Standard Require Key Measures To Be Presented in the MD&A as*** 17 ***Described in the Exposure Draft (this is Question for Respondents 1 from the ED)?***

18
19 The Board has resolved this issue. In June, 2009, the Board approved the MD&A
20 portion of the standard (ED paragraphs 26-30) as written, with the exception of
21 paragraphs 27c and 27e,¹⁰ for which the Board has approved changes.¹¹

22

23 ***Issue 4 – Should the Standard Require the SOSI to Have a Summary Section as*** 24 ***Described in the Exposure Draft (this is Question for Respondents 3 from the ED)?***

25
26 The Board has resolved this issue. In June, 2009, the Board voted in favor of a
27 summary section for the SOSI.¹² (See Attachment 1, Illustration 5 – Statement of Social

⁷ See Attachment 4, Table 14 – April 2009 Vote on “Featuring” Open vs. Closed Group Measures.

⁸ See the revised wording at Attachment 3 – “Track Changes” Version of the Social Insurance Exposure Draft Paragraphs Presenting the Standard (#26-45).

⁹ See Attachment 4, Table 16 – June 2009 Vote on Requiring MD&A Discussion of Closed Group Measure.

¹⁰ See Attachment 3 – “Track Changes” Version of the Social Insurance Exposure Draft Paragraphs Presenting the Standard (#26-45) for the revised wording.

¹¹ See Attachment 4, Table 18 – June 2009 Summary of Other Decisions.

¹² Attachment 4, Table 17 – June 2009 Vote on SOSI Summary Section.

TAB B (August 2009) – Other Issues

1 Insurance, Summary Section, Dollars Only, for a pro forma summary section for the
2 governmentwide entity.)

3 4 *SOSI Totals*

5
6 A question was raised at a recent Board meeting regarding whether SFFAS 17 requires
7 the SOSI to have totals. SFFAS 17, pars. 27(3)(g) and 32(3) require total net present
8 values. In FY 2007, the GAO audit of the Financial Report of the United States
9 Government (“FR”) concluded that the FR did not conform to generally accepted
10 accounting principles to the extent it did not present consolidated totals for all social
11 insurance programs in the consolidated SOSI. GAO noted Treasury’s – but not OMB’s –
12 disagreement with its conclusion.¹³

13
14 Since FY 2007 Treasury has included a summary section in the SOSI that provides
15 consolidated totals for both the closed and open group measures.

16
17 The proposed standard, as presented in the SI ED of November 2008, would codify this
18 summary. (See SI ED paragraph 33 at Attachment 2 – Social Insurance Exposure Draft,
19 Paragraphs Presenting the Standard (#26-38)).

20 21 *GDP Percentages*

22
23 The CBO member and several other members mentioned the possibility of presenting
24 the summary information in terms of GDP percentages or other “normalized” measures
25 such as percentage of taxable payroll. Members may wish to consider three pro forma
26 illustrations as follows:

- 27
28 1. Illustration 2b – Balance Sheet and Social Insurance Section with GDP
29 Percentages
30 2. Illustration 5 – Statement of Social Insurance, Summary Section, Dollars Only
31 3. Illustration 6 – Statement of Social Insurance, Summary Section, Dollars and
32 GDP Percentages
33 4. Illustration 7 – Statement of Social Insurance, Summary Section, GDP
34 Percentages Only

35
36 The staff discussed the above with the CBO technical staff member who was
37 considering it at the time that this memorandum was finalized.

38
39 Please note that illustration 2b raises the question of which, if any, GDP to use for
40 balance sheet amounts. The GDP is a measure of production during the year, a “flow”
41 measure. Many of the balance sheet amounts – and social insurance and sustainability

¹³ GAO-07-805 *Financial Audit...*, July 2007, pp. 15-16.

TAB B (August 2009) – Other Issues

1 present values – involve projections of future amounts over multiple years, a “stock” type
2 measure. For GDP percentages for these “stock” type numbers, projected GDP for each
3 future year involved is applied rather than the GDP for one year. Further development of
4 the issues and alternatives would be needed if it were decided to supply GDP
5 percentages for balance sheet amounts.

6 7 **Issue 5 – Should the proposed standard include certain examples of line items for the** 8 **“statement of changes in social insurance amounts”?**

9
10 Issue 5 in the staff memorandum for April (and June), 2009, originally asked whether the
11 Board approved a new basic statement that explains the changes to the closed or open
12 group measure, i.e., whether there should be a “statement of changes in social
13 insurance amounts” (“SCSIA”), which was “Question for Respondents 4” from the SI ED.
14 In June, 2009, the Board unanimously approved the SCSIA.¹⁴ However, a sub-issue
15 arose regarding what components of the change should be presented on the SCSIA.

16
17 The paragraph 36 of the SI ED requires the SCSIA and paragraph 37 requires that the
18 components of the change be presented. Paragraph 37 provides certain examples of
19 SCSIA line items (see Attachment 2 – Social Insurance Exposure Draft, Paragraphs
20 Presenting the Standard (#26-38). The examples were intended to illustrate types of
21 possible components rather than to be a definitive list of the line items.

22
23 At the June, 2009, FASAB meeting, the CBO representative mentioned that CBO
24 preferred separate line items for the change due to (1) the change in the valuation period
25 (e.g., the change from 2008-2082 to 2009-2083) and (2) interest on the obligation. The
26 examples in paragraph 37 of the SI ED had not included “the change in the valuation
27 period,” and the SCSIA Illustration the staff used in the June, 2009, staff memorandum
28 combined these two components on one line, for the purpose of illustration.

29
30 Since the June FASAB meeting, the FASAB staff has discussed the CBO preferences
31 with CBO staff. FASAB staff has no objection to including the “change due to the
32 change in valuation period” in the series of examples in paragraph 37 and in the
33 illustration. Examples might be interpreted as a requirement, although the provision of
34 examples does not technically require any particular line item. In addition, the Social
35 Security Trustees’ Report uses that line item in its table presenting the reasons for
36 changes in present values.¹⁵ The effect of this on paragraph 37 is shown in Attachment
37 3 – “Track Changes” Version of the Social Insurance Exposure Draft Paragraphs

¹⁴ See Attachment 4, Table 18 – June 2009 Summary of Other Decisions.

¹⁵ *The 2009 Annual Report of the Board of Trustees’ ...*, Table IV.B9 – Reasons for Change in the 75-Year Actuarial Balance Under Intermediate Assumptions, page 69.

TAB B (August 2009) – Other Issues

1 Presenting the Standard (#26-45), and, for the affect on the illustration, see in
2 Attachment 1, Illustration 8 – Statement of Changes in Social Insurance Amounts.

3
4 Without objection, staff will make that change.
5

6 ***Issue 6 – Should the Standard Require Note Disclosure of an Accrued Benefit Obligation*** 7 ***(this is ED Question for Respondents 5 from the ED)?***

8
9 The SI ED of November 2009 proposed to require disclosure of an accrued benefit
10 obligation in notes to the financial statements.¹⁶ As explained in the proposed standard,
11 the accrued benefit obligation provides a perspective on social insurance programs from
12 the point of view of a deferred benefit or an insurance obligation for those users who
13 value such information. This information is not currently available in federal financial

¹⁶ See Attachment 2 – Social Insurance Exposure Draft, Paragraphs Presenting the Standard (#26-38), especially par. 38. Also, the basis for conclusions explains that:

- A117. The proposal also requires note disclosure of an accrued benefit obligation. The objective is to provide information for the many users who are interested in knowing what such an amount would be and in evaluating the obligation in this way. ... Because it is based on past events, the accrued benefit obligation applies only to current participants in the programs as of the valuation date.
- A118. There are several acceptable methods for calculating an accrued benefit obligation.¹⁶ For example, the Social Security Administration provides, through its Office of the Actuary, an accrued benefit obligation for Social Security in a periodically updated Actuarial Note.¹⁶ ...
- A119. The other measure in the Actuary Note is the [Maximum Transition Cost (MTC)]. The only difference between the accrued benefit obligation and the MTC is that assets held by the Social Security program are subtracted in calculating the MTC.
- A120. The Board notes two other numbers used in pension accounting: the accumulated benefit obligation and the projected benefit obligation. ...
- A121. Conceptually, there is some similarity between the SSA's accrued benefit obligation and the PBO. SSA projects future wage levels via the "average wage index" and the PBO is measured using assumptions as to future compensation levels.
- A122. Other approaches for calculating an accrued benefit obligation are acceptable. For example, the Primary View in the FASAB's *Preliminary View: Accounting for Social Insurance, Revised*, provided methodology for calculating a liability amount for social insurance programs. ... Also, SFFAS 5 provides a methodology for calculating pensions, disability, and post-employment healthcare and insurance liabilities. All of these approaches are acceptable. Finally, the Board proposes to require the entity to provide a description of the approach used.
- A123. The accrued benefit obligation will give interested users a traditional frame of reference. The accrued benefit obligation is intended to provide a perspective on social insurance programs from the point of view of a deferred benefit or an insurance obligation for those users who value such information. It is equivalent to the measure that the Board members who held the Primary View believe should be recognized as a liability. The amount thus provided can be compared to the other measures and provide a full array of information. Finally, this number is not currently available in Federal financial reports.

TAB B (August 2009) – Other Issues

1 reports, but it is available on the SSA Web site, for Social Security, for those who follow
2 the SSA links to the proper Web page.

3
4 The proposal allows for several acceptable methods for calculating an accrued benefit
5 obligation.

6
7 The respondents were nearly evenly divided on this question (12 of 23 responded
8 negatively).

9
10 As requested by the Board, the staff contacted the Chief Financial Officer at the Center
11 for Medicare and Medicaid Services (“CMS”) and requested feedback regarding the
12 availability of information for CMS to develop an accrued benefit obligation for Medicare.
13 The CMS staff was considering it at the time this memorandum was finalized. The
14 FASAB staff will provide the CMS response to you when and if one is provided.

15
Issue 6 – Should the standard require note disclosure of an accrued benefit obligation?

16
17 ***Issue 7 – Does the Board Continue to Conclude that the Standard Should Not Require a***
18 ***Line Item on the Statement of Net Cost for the Change during the Period in the Closed***
19 ***Group Measure (this is Question for Respondents 6 from the ED)?***

20
21 The Board has resolved this issue. In June 2009, the Board unanimously affirmed its
22 conclusion.¹⁷

23
24
25 ***Issue 8 – Should the Standard Provide a General Requirement that Allows Flexibility in***
26 ***the Sensitivity Analysis (this is Question for Respondents 8 from the ED)?***

27
28 The Board has resolved this issue. In June 2009, the Board unanimously decided to
29 delete the last sentence in paragraph 43 that mentioned stochastic analysis.¹⁸

30
31

¹⁷ See Table 18 – June 2009 Summary of Other Decisions.

¹⁸ See Table 18 – June 2009 Summary of Other Decisions. See the revised wording at Attachment 3 – “Track Changes” Version of the Social Insurance Exposure Draft Paragraphs Presenting the Standard (#26-45).

TAB B (August 2009) – Other Issues

1 **Issue 9 – Should the Social Insurance Project Develop Liability Recognition for “Deferred** 2 **Earmarked Revenue”**

3
4 At its meeting on February 26, 2009, the Board discussed the possibility of recognizing a
5 liability for “excess” earmarked revenue related to social insurance payroll tax. Under
6 the concept, social insurance taxes received in a period in excess of benefits paid in that
7 period would be accounted for as deferred revenue, a liability.

8
9 The Alternative View in *Preliminary Views* on social insurance (AVPV) had proposed that
10 the Board consider recognizing deferred revenue (pars. 67 and A148-9). The AVPV
11 argued that earmarked revenue should not offset non-earmarked costs.

12
13 Staff concludes that the AVPV proposal would apply only at the consolidated
14 governmentwide level. Component entities do not reduce “cost” by earmarked
15 nonexchange revenue. However, the governmentwide entity reports the subtotal “net
16 operating (cost)/revenue” that is unique to its “statement of operations and changes in
17 net position,” which is net cost less federal taxes, duties, etc. Staff believes this is what
18 the AVPV and former Comptroller General Walker had in mind when they said excess
19 earmarked revenue should not offset non-earmarked costs in determining net operating
20 cost.

21
22 The second reason offered by the AVPV for considering deferred earmarked revenue –
23 that “excess” earmarked revenues received in excess of “benefits incurred” should not
24 be recognized as revenue until used – seems to invoke a matching principle focusing on
25 matching revenue and expense. As it has been adapted by the Board, the matching
26 principle in federal accounting calls for net cost to be matched with services provided,
27 which recognizes that the primary mission of the federal government is to provide
28 services. FASAB standards have stated that the principle of matching revenue and
29 expense is not applicable to nonexchange transactions.¹⁹ The federal government does
30 not “earn” nonexchange revenue. Costs in the federal government are not incurred to
31 produce revenue.

32
33 Regarding the question of developing liability recognition for “excess” earmarked
34 revenue, staff recommended that current FASAB standards not be changed; that is, that
35 the staff should not develop liability recognition for deferred earmarked revenue.

36
37 The staff does not support the deferred revenue proposal for the reasons stated in the
38 April and June, 2009, staff memorandum. Moreover, staff does not believe any current
39 Board member wants to consider it at this time.
40

¹⁹ SFFAS 7, par. 17.

TAB B (August 2009) – Other Issues

1 Dispensing with this issue would allow the Board to finalize what it has accomplished
2 with respect to new MD&A, financial statements, and disclosures, rather than
3 encumbering it with another set of issues. Thus, without objection, this proposal will not
4 be addressed in the current social insurance project.

Attachment 1 – Pro Forma Illustrations

Illustration 1 – Overall Perspective Table from FY 2004 Financial Report

Overall Perspective (billions of dollars)	2004			2003			\$ Change
	Balance Sheet	Additional Responsibilities	Combined Amounts	Balance Sheet	Additional Responsibilities	Combined Amounts	
ASSETS							
Inventory, cash	\$ 359		\$ 359	\$ 372		\$ 372	\$ (13)
Property, plant & equipment	653		653	658		658	(5)
Loans receivable	221		221	221		221	0
Other	165		165	154		154	11
Total Assets	\$ 1,398		\$ 1,398	\$ 1,405		\$1,405	\$ (7)
LIABILITIES & NET RESPONSIBILITIES							
Social Insurance							
Medicare (Parts A, B, D)		(24,615)	(24,615)		(15,006)	(15,006)	(9,609)
Social Security		(12,552)	(12,552)		(11,742)	(11,742)	(810)
Other (RR Retirement)		(112)	(112)		(110)	(110)	(2)
Subtotal, Social Ins.	0	(37,279)	(37,279)	0	(26,858)	(26,858)	(10,421)
Fed. empl. & vets. Pensions/benefits	(4,062)		(4,062)	(3,880)		(3,880)	(182)
Federal debt held by the public	(4,329)		(4,329)	(3,945)		(3,945)	(384)
Other liabilities	(716)		(716)	(675)		(675)	(41)
Other responsibilities		(903)	(903)		(862)	(862)	(41)
Total Liabilities & Net Responsibilities	(\$9,107)	(\$38,182)	(\$47,289)	(\$8,500)	(\$27,720)	(\$36,220)	(\$11,069)
Total Assets minus Total Liabilities & Net Responsibilities	(\$7,709)	(\$38,182)	(\$45,891)	(\$7,095)	(\$27,720)	(\$34,815)	(\$11,076)

Illustration 2a – Balance Sheet and Social Insurance Section

United States Government		
Balance Sheet and Social Insurance Summary		
September 30, 2008, and September 30, 2007		
	2008	2007
	(billions)	
ASSETS		
Cash and other monetary assets (Note 2)	\$ 424.5	\$ 128.0
Accounts and taxes receivable, net (Note 3)	93.0	87.8
Loans receivable, net (Note 4)	263.4	231.9
Inventories and related property, net (Note 5)	289.6	277.1
Property, plant, and equipment (Note 6)	737.7	691.1
Securities and investments (Note 7)	79.6	99.8
Investments in govt. sponsored enterprises (Note 8)	7.0	
Other assets (Note 9)	79.9	65.4
Total assets	<u>\$ 1,974.7</u>	<u>\$ 1,581.1</u>
Stewardship Land and Heritage Assets (Note 24)		
LIABILITIES		
Accounts payable (Note 10)	\$ 73.3	\$ 66.2
Federal debt securities held by the public and accrued interest (Note 11)	5,836.2	5,077.7
Fed. employee and veteran benefits payable (Note 12)	5,318.9	4,769.1
Environmental and disposal liabilities (Note 13)	342.8	342.0
Benefits due and payable (Note 14)	144.4	133.7
Insurance program liabilities (Note 15)	77.8	72.7
Loan guarantee liabilities (Note 4)	72.9	69.1
Keepwell payable (Note 8)	13.8	
Other liabilities (Note 16)	298.1	256.4
Total liabilities	<u>12,178.2</u>	<u>10,786.9</u>
Contingencies (Note 19) and Commitments (Note 20)		
NET POSITION		
Earmarked funds (Note 21) (Restated)	704.6	620.2
Non-earmarked funds (Restated)	<u>(10,908.1)</u>	<u>(9,826.0)</u>
Total net position	<u>(10,203.5)</u>	<u>(9,205.8)</u>
Total liabilities and net position	<u>\$ 1,974.7</u>	<u>\$ 1,581.1</u>
SOCIAL INSURANCE		
Social Security (see Statement of Social Insurance)	(\$6,555)	(\$6,763)
Medicare (see Statement of Social Insurance)	(36,311)	(34,085)
Other social insurance (See Statement of Social Ins.)	(104)	(100)
Total social insurance	<u>(\$42,970)</u>	<u>(\$40,948)</u>

Illustration 2b – Balance Sheet and Social Insurance Section with GDP Percentages

United States Government Balance Sheet and Social Insurance Summary September 30, 2008 and 2007		2008		2007	
		Balance Sheet	GDP %	Balance Sheet	GDP %
ASSETS		(billions)			
Cash and other monetary assets (Note 2)		\$425		\$128	
Accounts and taxes receivable, net (Note 3)		93		88	
Loans receivable, net (Note 4)		263		232	
Inventories and related property, net (Note 5)		290		277	
Property, plant, and equipment (Note 6)		738		691	
Securities and investments (Note 7)		80		100	
Investments in Government sponsored enterprises (Note 8)		7			
Other assets (Note 9)		80		65	
Total assets		<u>\$1,975</u>	13.7%	<u>\$1,581</u>	11.3%
Stewardship Land and Heritage Assets (Note 24)					
LIABILITIES					
Accounts payable (Note 10)		\$ 73		\$ 66	
Fed. debt securities held by public & accrued intrst. (Note 11)		5,836		5,078	
Federal employee and veteran benefits payable (Note 12)		5,319		4,769	
Environmental and disposal liabilities (Note 13)		343		342	
Benefits due and payable (Note 14)		144		134	
Insurance program liabilities (Note 15)		78		73	
Loan guarantee liabilities (Note 4)		73		69	
Keepwell payable (Note 8)		14			
Other liabilities (Note 16)		298		256	
Total liabilities		<u>\$ 12,178</u>	84.5%	<u>\$ 10,787</u>	77.3%
Contingencies (Note 19) and Commitments (Note 20)					
NET POSITION					
Earmarked funds (Note 21) (Restated)		705		620	
Non-earmarked funds (Restated)		(10,908)		(9,826)	
Total net position		<u>(10,203)</u>	-70.8%	<u>(9,206)</u>	-66.0%
Total liabilities and net position		<u>\$1,974</u>	13.7%	<u>\$1,581</u>	11.3%
SOCIAL INSURANCE (see Statement of Social Insurance)					
Social Security		(\$6,555)	-1%	(\$6,763)	-1%
Medicare		(36,311)	-5%	(34,085)	-4%
Other social insurance		(104)		(100)	
Total social insurance		<u>(\$42,970)</u>	-6%	<u>(\$40,948)</u>	-6%

Illustration 3 – The Bob Dacey Table

Summary of Financial Condition Measures				
Assets & Liabilities, Future Receipts & Spending				
	<u>Historical Perspective</u> <u>"Where We Are Now"</u>		<u>Sustainability Perspective</u> <u>"Where We Are Headed"</u>	
Resources	Assets	\$ 1,975	Future Receipts	\$ XXX
Responsibilities	Liabilities	<u>(12,178)</u>	Future Spending	<u>YYY</u>
Net	Net Position	<u><u>\$ (10,203)</u></u>	Excess of Future Spending over Future Receipts	<u><u>\$ ZZZ</u></u>
Revenue & Net Cost, Changes in Future Receipts & Spending				
	<u>Historical Perspective</u> <u>"Where We Are Now"</u>		<u>Sustainability Perspective</u> <u>"Where We Are Headed"</u>	
Resources	Revenues	\$ 2,661	Changes in Future Receipts	\$ AAA
Responsibilities (alternatively – "Resources Used"?)	Net Cost	<u>(3,670)</u>	Changes in Future Spending	<u>BBB</u>
Net	Net Operating Cost	<u><u>\$ (1,009)</u></u>	Change in Fiscal Sustainability	<u><u>\$ CCC</u></u>

Illustration 4 – Key Measures Table from Social Insurance²⁰

Table of Key Measures		(billions of dollars)		
Costs		2008	2007	2006
Net costs		(\$3,641)	(\$3,157)	(\$3,128)
Total taxes and other revenues		2661.4	2,627	2,441
Net operating cost		(\$276)	(\$276)	(\$450)
Net Position		2008	2007	2006
Assets		\$1,975	\$1,581	\$1,497
Less: Liabilities, comprised of				
Federal debt held by the public		5,836	5,078	4,868
Federal employee & veterans benefits		5,319	4,769	4,679
Other liabilities		1,023	940	866
Total liabilities		12,178	10,787	10,413
Net position (assets net of liabilities)		(\$10,204)	(\$9,206)	(\$8,916)
Social Insurance Commitments		2008	2007	2006
Net present value (NPV) for current participants (open group), end of fiscal year		(\$42,970)	(\$40,948)	(\$38,851)
Net present value (NPV) for current participants (open group), beginning of fiscal year		(40,948)	(38,851)	(35,689)
Decrease (increase) in NPV for open group		(\$2,022)	(\$2,097)	(\$3,162)
Budget Results		2008	2007	2006
Unified Budget Deficit		(\$455)	(\$163)	(\$248)
Spending in Excess of Receipts		2008	2007	2006
Spending in excess of receipts as of January 1 (see Long-Term Projections Statement)		(\$ XX,XXX)	(\$ XX,XXX)	(\$ XX,XXX)

²⁰ This Table is from the social insurance exposure draft of November 2008, as amended per the Board's subsequent deliberations.

TAB B (August 2009) Attachment 1 – Pro Forma Illustrations – Illustration 5

Illustration 5 – Statement of Social Insurance, Summary Section, Dollars Only

Social Insurance Summary	2008	2007	2006	2005	2004	2003
<i>Contributions and Earmarked Taxes from:</i>						
Participants who are receiving benefits or are currently eligible	\$ 1,333	\$ 1,260	\$ 1,312	\$ 1,178	\$ 1,071	\$ 774
Participants who have not attained eligibility age or disability	(12,369)	(11,608)	(10,920)	(10,160)	(9,430)	(7,945)
<i>Contributions and Earmarked Taxes</i>	(11,036)	(10,348)	(9,608)	(8,982)	(8,359)	(7,171)
<i>Expenditures for Scheduled Future Benefits for:</i>						
Participants who are receiving benefits or are currently eligible	29,851	28,342	27,160	25,081	23,767	20,274
Participants who have not attained eligibility age or disability	(67,950)	(63,056)	(61,699)	(56,137)	(52,687)	(39,961)
<i>Expenditures for Scheduled Future Benefits</i>	(38,099)	(34,714)	(34,539)	(31,056)	(28,920)	(19,687)
Closed group -- Total present value of future expenditures in excess of future revenue for current participants	(49,135)	(45,062)	(44,147)	(40,038)	(37,279)	(26,858)
<i>Contributions and Earmarked Taxes from:</i>						
Future participants	24,743	22,828	21,227	19,442	18,457	16,715
<i>Expenditures for Scheduled Future Benefits for:</i>						
Future participants	(18,578)	(18,714)	(15,933)	(15,092)	(14,542)	(10,683)
<i>Present value of future expenditures in excess of future revenue for future participants</i>	6,165	4,114	5,294	4,350	3,915	6,032
Open group -- Total present value of future expenditures in excess of future revenue	(42,970)	(40,948)	(38,853)	(35,688)	(33,364)	(20,826)

Illustration 6 – Statement of Social Insurance, Summary Section, Dollars and GDP Percentages

Social Insurance Summary	2008		2007		2006	
<i>Participants who have attained eligibility age:</i>						
Revenue (e.g., Contributions and earmarked taxes)	\$ 1,333	0.2%	\$ 1,260	0.2%	\$ 1,312	0.2%
Expenditures for scheduled future benefits	(12,369)	-1.7%	(11,608)	-1.7%	(10,920)	-1.7%
Present value of future expenditures in excess of future revenue	(11,036)	-1.6%	(10,348)	-1.5%	(9,608)	-1.5%
<i>Participants who have attained age 15 up to eligibility age:</i>						
Revenue (e.g., Contributions and earmarked taxes)	29,851	4.2%	28,342	4.1%	27,160	4.2%
Expenditures for scheduled future benefits	(67,950)	-9.6%	(63,056)	-9.2%	(61,699)	-9.4%
Present value of future expenditures in excess of future revenue	(38,099)	-5.4%	(34,714)	-5.0%	(34,539)	-5.3%
Closed group -- Total present value of future expenditures in excess of future revenue	(49,135)	-6.9%	(45,062)	-6.5%	(44,147)	-6.8%
<i>Future participants (under age 15 and births during period):</i>						
Revenue (e.g., Contributions and earmarked taxes)	24,743	3.5%	22,828	3.3%	21,227	3.2%
Expenditures for scheduled future benefits	(18,578)	-2.6%	(18,714)	-2.7%	(15,933)	-2.4%
Present value of future expenditures in excess of future revenue	6,165	0.9%	4,114	0.6%	5,294	0.8%
Open group -- Total present value of future expenditures in excess of future revenue	(42,970)	-6.0%	\$(40,948)	-6.0%	\$(38,853)	-5.9%

Illustration 7 – Statement of Social Insurance, Summary Section, GDP Percentages Only

Social Insurance Summary	2008	2007	2006	2005	2004
<i>Participants who have attained eligibility age:</i>					
Revenue (e.g., Contributions and earmarked taxes)	0.2%	0.2%	0.2%	0.2%	0.2%
Expenditures for scheduled future benefits	-1.7%	-1.7%	-1.7%	-1.6%	-1.6%
Present value of future expenditures in excess of future revenue	-1.6%	-1.5%	-1.5%	-1.5%	-1.4%
<i>Participants who have attained age 15 up to eligibility age:</i>					
Revenue (e.g., Contributions and earmarked taxes)	4.2%	4.1%	4.2%	4.1%	4.1%
Expenditures for scheduled future benefits	-9.6%	-9.2%	-9.4%	-9.1%	-9.1%
Present value of future expenditures in excess of future revenue	-5.4%	-5.0%	-5.3%	-5.0%	-5.0%
Closed group -- Total present value of future expenditures in excess of future revenue	-6.9%	-6.5%	-6.8%	-6.5%	-6.4%
<i>Future participants (under age 15 and births during period):</i>					
Revenue (e.g., Contributions and earmarked taxes)	3.5%	3.3%	3.2%	3.1%	3.2%
Expenditures for scheduled future benefits	-2.6%	-2.7%	-2.4%	-2.4%	-2.5%
Present value of future expenditures in excess of future revenue	0.9%	0.6%	0.8%	0.7%	0.7%
Open group -- Total present value of future expenditures in excess of future revenue	-6.0%	-6.0%	-5.9%	-5.8%	-5.7%

Illustration 8 – Statement of Changes in Social Insurance Amounts

Statement of Changes in Social Insurance Amounts
For the Year Ended September 30, 2008

Open Group
(in billions of dollars)

	Social Security	Medicare HI	Medicare Parts B & D	Other (e.g., RR Ret.)	Total
Net present value (NPV) of future expenditures in excess of future revenue for all participants, beginning of FY 2008	(\$6,763)	(\$12,292)	(\$21,793)	(\$100)	(\$40,948)
Reasons for changes in the net present value of future expenditures in excess of future revenue:					
Change in the valuation period	XXX	XXX	XXX	XXX	XXX
Interest on the obligation	XXX	XXX	XXX	XXX	XXX
Changes in demographic data and assumptions	XXX	XXX	XXX	XXX	XXX
Changes in economic data and assumptions	XXX	XXX	XXX	XXX	XXX
Changes in Medicare and other healthcare assumptions	XXX	XXX	XXX	XXX	XXX
Changes in law or policy	XXX	XXX	XXX	XXX	XXX
Changes in methodology and programmatic data	XXX	XXX	XXX	XXX	XXX
Other changes	XXX	XXX	XXX	XXX	XXX
Subtotal -- change in net present value during period	208	(443)	(1,783)	(4)	(2,022)
NPV of future expenditures in excess of future revenue, end of FY 2008	(\$6,555)	(\$12,735)	(\$23,576)	(\$104)	(\$42,970)

TAB B (August 2009) Attachment 2 – Social Insurance Exposure Draft, Paragraphs Presenting the Standard (#26-38)

Attachment 2 – Social Insurance Exposure Draft, Paragraphs Presenting the Standard (#26-38)

(footnotes omitted)

Management's Discussion and Analysis

26. Social insurance component entities and the governmentwide entity should discuss critical measures from their basic statements in the section of their management's discussion and analysis ("MD&A") devoted to financial statement analysis. They should explain the significance of key amounts. The entity should explain the major changes in amounts reported for key items during the reporting period, and the causes thereof. In particular, the entity should explain why the changes occurred and what that indicates or implies for the program's operation. The entity should explain how costs and commitments incurred during the period were or will be financed. They should describe important existing and currently-known demands, risks, uncertainties, events, conditions—both favorable and unfavorable—that affect the amounts reported in the basic financial statements. The discussion should go beyond a mere description of existing conditions to include possible future effects of those factors. The discussion should encompass the possible future effects of anticipated future events, conditions, and trends. Where appropriate, the description of possible future effects of both existing and anticipated factors should include quantitative forecasts or projections.
27. At a minimum, all entities should present and explain, as described in paragraph 26, the following measures except as noted:
 - a. Costs as follows:
 - i. Net costs
 - ii. Total financing sources and net change of cumulative results of operations (for component entities only) and
 - iii. Total revenue and net operating costs (for the governmentwide entity only)
 - b. Net position as follows:
 - i. Total assets
 - ii. Total liabilities
 - iii. Net position
 - c. Social insurance commitments as follows:

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- i. The closed group measure, which presents the net present value (“NPV”) of cash flow for or on behalf of current participants over a projection period sufficient to illustrate long-term sustainability (e.g., traditionally a period of 75 years has been the primary period used by the Social Security Administration for long-term projections).⁶
 - ii. The change in the closed group measure during the reporting period(s). This amount will also be shown on the statement of changes in social insurance amounts (“SCSIA”).
 - d. Key budgetary amounts as follows:
 - i. Key amounts from the statement of budgetary resources (for component entities only)
 - ii. Key budgetary amounts (for the governmentwide entity only):
 - (a) Total unified budget receipts
 - (b) Total unified budget outlays
 - (c) Total unified budget deficit or surplus
 - e. **Fiscal gap** (for the governmentwide entity only) [This measure is discussed extensively in the exposure draft *Reporting Comprehensive Long-Term Fiscal Projections for the U.S. Government* (“Projections ED”).]
- 28. The MD&A may include a table containing the above measures (see the illustration for the governmentwide entity at Appendix B: Table of Key Measures). Alternatively or combined with a tabular illustration the entity may provide the critical measures in a narrative format. The table in Appendix B is for purposes of illustration only. The preparer should determine the most effective format for communicating the critical financial information and the reasons for changes during the prior period.
- 29. Each critical measure above (costs, net position, etc., see paragraphs 26 and 27) may be disaggregated into sub-measures. For example, regarding assets, component entities may separately present Treasury securities held, and “liabilities” may be disaggregated into major elements, i.e., into line items for employee pension liabilities, environmental liabilities, etc.
- 30. The amounts discussed in the section of the MD&A devoted to financial statement analysis for the closed group measures will be the same as the amounts of the line items presented on the balance sheet (discussed below and in Appendix C: Pro Forma Balance Sheet), SOSI (discussed below and in Appendix D: Pro Forma

TAB B (August 2009) Attachment 2 – Social Insurance Exposure Draft, Paragraphs Presenting the Standard (#26-38)

Statement of Social Insurance), and the SCSIA (discussed below and in Appendix E: Pro Forma Statement of Changes in Social Insurance Amounts).

Balance Sheet

[See Appendix C: Pro Forma Balance Sheet.]

31. Liability and Expense – This Statement does not change the SFFAS 17 liability and expense recognition standard. See SFFAS 17, paragraphs 22-23 and 30.⁷
32. Balance Sheet Display of Closed Group Measure – Each governmentwide and component entity presenting a SOSI should present the closed group measure on its balance sheet. This amount will be the same as the amount discussed in the section of the MD&A devoted to financial statement analysis (see par. 27.c.i), and presented on the SOSI (see par. 33), and as the end-of-year balance on the SCSIA (see par. 36). The amount should be presented below assets, liabilities, and net position and not included in any of the totals for these classifications. (See pro forma balance sheet at Appendix C.)

Statement of Social Insurance

[See Appendix D: Pro Forma Statement of Social Insurance. *There are two illustrations, one for the CFR Illustrative SOSI for Government Entity. (Part I) and another for the component entity Illustrative SOSI for Component Entity(Part II).*]

33. The component entities that prepare a SOSI pursuant to SFFAS 17 (currently SSA, HHS, RRB, DOL) and the governmentwide SOSI should conclude with a summary section that presents the closed group measure and open group measure (see Appendix D). The closed group measure line item should be the same as lines on the balance sheet (see above and Appendix C), and the beginning-of-year and end-of-year amounts on the SCSIA (see below and Appendix E).
34. The summary section of the component entity SOSI should include the assets held by the programs, if any, and totals for the **closed group unfunded obligation** and **open group unfunded obligation** (see Appendix D, Part II, summary section).
35. This standard should not be construed to preclude presenting subtotals by age cohort.

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Statement of Changes in Social Insurance Amounts

[See Appendix E: Pro Forma Statement of Changes in Social Insurance Amounts.]

36. The governmentwide and component entities presenting a SOSI should present a statement of changes in social insurance amounts (SCSIA) (see pro forma example at Appendix D). The SCSIA will reconcile beginning and ending closed group measures and present the reasons for changes in the closed group measure from the end of the previous reporting period (see Appendix E: Pro Forma Statement of Changes in Social Insurance Amounts).
37. The SCSIA should present the significant components of the change e.g., interest on the obligation due to present valuation; changes in demographic, economic, and healthcare assumptions; changes in law, regulation, and policy; and the amounts associated with each type of change (see Appendix D). The SCSIA should disclose in notes on the face of the statement and/or in notes to the financial statements the reasons for the changes. The reasons should be explained as briefly as possible without detracting from understanding. The most significant changes should be explained in the entity's MD&A as well as in disclosures associated directly with the SCSIA.

Required Disclosure

38. The entity should disclose an **accrued benefit obligation** amount in the notes to the financial statements. In order to depict trends, five years of data should be presented. The data should be accumulated prospectively. The preparer should select and describe in the notes to the financial statements the method used for calculating the accrued benefit obligation. In addition, the preparer should explain that the disclosure provides a perspective on social insurance programs from the point of view of a deferred benefit or an insurance obligation for those users who value such information.

TAB B (August 2009) Attachment 3 – “Track Changes” Version of the Social Insurance Exposure Draft Paragraphs Presenting the Standard (#26-45)

Attachment 3 – “Track Changes” Version of the Social Insurance Exposure Draft Paragraphs Presenting the Standard (#26-45)

[Staff comment: In the following paragraphs, new text is illustrated with double underlining and deletions are illustrated via ~~strike~~through.]

Management’s Discussion and Analysis

26. Social insurance component entities and the governmentwide entity should discuss critical measures from their basic statements in the section of their management’s discussion and analysis (“MD&A”) devoted to financial statement analysis. They should explain the significance of key amounts. The entity should explain the major changes in amounts reported for key items during the reporting period, and the causes thereof. In particular, the entity should explain why the changes occurred and what that indicates or implies for the program’s operation. The entity should explain how costs and commitments incurred during the period were or will be financed. They should describe important existing and currently-known demands, risks, uncertainties, events, conditions—both favorable and unfavorable—that affect the amounts reported in the basic financial statements. The discussion should go beyond a mere description of existing conditions to include possible future effects of those factors. The discussion should encompass the possible future effects of anticipated future events, conditions, and trends. Where appropriate, the description of possible future effects of both existing and anticipated factors should include quantitative forecasts or projections.

[Staff comment: the text inserted in the first sentence of paragraph 27 below is a clarification suggested by a respondent to the SI ED.]

27. At a minimum, social insurance component ~~all~~ entities and the governmentwide entity should present and explain, as described in paragraph 26, the following measures except as noted:
- a. Costs as follows:
 - i. Net costs
 - ii. Total financing sources and net change of cumulative results of operations (for component entities only) and
 - iii. Total revenue and net operating costs (for the governmentwide entity only)

- b. Net position as follows:

TAB B (August 2009) Attachment 3 – “Track Changes” Version of the Social Insurance Exposure Draft Paragraphs Presenting the Standard (#26-45)

- i. Total assets
- ii. Total liabilities
- iii. Net position

Staff comment: The changes to paragraphs 27c and 27e below are pursuant to the Board’s decision on Issue 3 in the staff memorandum (April and June, 2009). See Decision Tables 14 and 16 in Attachment 5. The changes below address the change in emphasis in MD&A from the closed to the open group measure (27c) and conform to the SFFAS 36 final statement provisions (27e).

c. Social insurance commitments as follows:

- i. The open ~~closed~~ group measure
- ii. The closed group measure as it relates to the open group measure; that is, how and why it differs from the open group measure, which presents the net present value (“NPV”) of cash flow for or on behalf of current participants over a projection period sufficient to illustrate long-term sustainability (e.g., traditionally a period of 75 years has been the primary period used by the Social Security Administration for long-term projections).⁶
- iii. The change in the open ~~closed~~ group measure during the reporting period(s). This amount will also be shown on the statement of changes in social insurance amounts (“SCSIA”).

d. Key budgetary amounts as follows:

- i. Key amounts from the statement of budgetary resources (for component entities only)
- ii. Key budgetary amounts (for the governmentwide entity only):
 - 1. Total unified budget receipts
 - 2. Total unified budget outlays
 - 3. Total unified budget deficit or surplus

e. Key measures from the statement of long-term fiscal projections and associated disclosures such as the NPV of the excess of spending over receipts and the **Fiscal gap** (for the governmentwide entity only) [This

⁶ The terms “current participants” and “closed group of participants” are used synonymously in this standard. See the definitions section of this ED for more on the “closed group” and “open group” of participants.

TAB B (August 2009) Attachment 3 – “Track Changes” Version of the Social Insurance Exposure Draft Paragraphs Presenting the Standard (#26-45)

measure is discussed extensively in the ~~exposure draft~~ SFFAS 36, Reporting Comprehensive Long-Term Fiscal Projections for the U.S. Government (“Projections ED”).]

Staff comment: The subject of the following paragraph is a table for the MD&A. In the SI ED, the table was optional. The Board’s future decision regarding the creation of a new basic statement will affect this paragraph. Thus, this is an open issue. See Issue 1 and associated sub-issues. If there is to be a new basic statement, then this section probably would not refer to an optional table of key measures for the MD&A. On the other hand, if the Board decides on a table in MD&A, then the following paragraph would be needed. In other words, the Board will be deciding whether there will be a table in MD&A and, if so, whether it will be optional, as in the SI ED, or mandatory, and whether the format should be as described in the SI ED or something else, for example, the “Overall Perspectives” from the FY 2004 FR.

28. The MD&A may include a table containing the above measures (see the illustration for the governmentwide entity at Appendix B: Table of Key Measures). Alternatively or combined with a tabular illustration the entity may provide the critical measures in a narrative format. The table in Appendix B is for purposes of illustration only. The preparer should determine the most effective format for communicating the critical financial information and the reasons for changes during the prior period.
29. Each critical measure above (costs, net position, etc., see paragraphs 26 and 27) may be disaggregated into sub-measures. For example, regarding assets, component entities may separately present Treasury securities held, and “liabilities” may be disaggregated into major elements, i.e., into line items for employee pension liabilities, environmental liabilities, etc.
30. The amounts discussed in the section of the MD&A devoted to financial statement analysis for the open ~~closed~~ group measures will be the same as the amounts in the summary section of the ~~line items presented on the balance sheet (discussed below and in Appendix C: Pro Forma Balance Sheet), SOSI (discussed below and in Appendix D: Pro Forma Statement of Social Insurance), and in the SCSIA (discussed below and in Appendix E: Pro Forma Statement of Changes in Social Insurance Amounts).~~

Staff comment: The open group is now featured, consistent with the above-noted decisions. Also, the link to the line item on the balance sheet is deleted, as shown in the paragraph below, pursuant to the Board’s decision. See Decision Table 10, February 2009. Further changes may arise as a new financial statement is developed.

TAB B (August 2009) Attachment 3 – “Track Changes” Version of the Social Insurance Exposure Draft Paragraphs Presenting the Standard (#26-45)

Balance Sheet

~~[See Appendix C: Pro Forma Balance Sheet.]~~

31. ~~Liability and Expense—This Statement does not change the SFFAS 17 liability and expense recognition standard. See SFFAS 17, paragraphs 22-23 and 30.⁷~~
32. ~~Balance Sheet Display of Closed Group Measure—Each governmentwide and component entity presenting a SOSI should present the closed group measure on its balance sheet. This amount will be the same as the amount discussed in the section of the MD&A devoted to financial statement analysis (see par. 27.c.i), and presented on the SOSI (see par. 33), and as the end-of-year balance on the SCSIA (see par. 36). The amount should be presented below assets, liabilities, and net position and not included in any of the totals for these classifications. (See pro forma balance sheet at Appendix C.)~~

Statement of Social Insurance

~~[See Appendix D: Pro Forma Statement of Social Insurance. There are two illustrations, one for the CFR Illustrative SOSI for Government Entity (Part I) and another for the component entity Illustrative SOSI for the Component Entity (Part II).]~~

33. The component entities that prepare a SOSI pursuant to SFFAS 17 (currently SSA, HHS, RRB, DOL) and the governmentwide SOSI should conclude with a summary section that presents the closed group measure and open group measure (see Appendix D). The open ~~closed~~ group measure line item should

⁷ SFFAS 17, paragraphs 22-23 and 30 state that, except for Unemployment Insurance, the governmentwide and component entities should recognize a liability (and a related expense) for those social insurance benefits that are due and payable to or on behalf of beneficiaries at the end of the reporting period, including claims incurred but not reported (“IBNR”). For UI, a liability (and related expense) would be recognized for (1) amounts due to states and territories for benefits they have paid to beneficiaries but for which the states and territories have not withdrawn funds from the federal unemployment trust fund (“UTF”) as of fiscal year end, and (2) estimated amounts to be withdrawn from UTF and benefits paid by states and territories after fiscal year end for compensable days occurring prior to fiscal year end. A UI expense will also be recognized for the reporting period for amounts withdrawn from the Federal UTF by states and territories to pay benefits to beneficiaries that pertain solely to the current reporting period. Such costs would be recognized as a component of expense and not as a reduction of the recognized liability. Amounts paid that pertain to and reduce the liability recognized in the prior reporting period pursuant to this paragraph, items (1) and (2), would not be recognized as an expense of the current reporting period.

TAB B (August 2009) Attachment 3 – “Track Changes” Version of the Social Insurance Exposure Draft Paragraphs Presenting the Standard (#26-45)

be the same as lines on the balance sheet (see above and Appendix C), and the beginning-of-year and end-of-year amounts on the SCSIA (see below and Appendix E).

Staff comment: the following paragraph involves the question of the presentation of information as percentages of GDP or taxable payroll, along with or instead of dollars in the SOSI summary. This question arose in the context of Issue 4 of the staff memorandum that asked whether the standard should require a summary section in the SOSI, which the Board answered affirmatively (see Attachment 5, Decision Table 17). Without further action by the Board, the standard would require dollar amounts only.

34. The summary section of the component entity SOSI should include the assets held by the programs, if any, and totals for the **closed group unfunded obligation** and **open group unfunded obligation** (see Appendix D, Part II, summary section).
35. This standard should not be construed to preclude presenting subtotals by age cohort.

Staff comment: the following paragraphs require a statement of changes in social insurance amounts. It also involves the question of the presentation of information as a percentage of GDP or taxable payroll. The statement of changes in social insurance amounts could present information as percentages of GDP and/or taxable payroll.

Statement of Changes in Social Insurance Amounts

[See Appendix E: Pro Forma Statement of Changes in Social Insurance Amounts.]

36. The governmentwide and component entities presenting a SOSI should present a statement of changes in social insurance amounts (SCSIA) (see pro forma example at Appendix D). The SCSIA will reconcile beginning and ending open group measures and present the reasons for changes in the open ~~closed~~ group measure from the end of the previous reporting period (see Appendix E: Pro Forma Statement of Changes in Social Insurance Amounts). *[Staff comment: See Decision Tables 14, 16, and 17 for this changes to the open group measure.]*

Staff comment: the following paragraph involves the question of the appropriate line item(s) for representing the components of the change in valuation year, which is discussed in the context of Issue 5 in the August 2009 staff memorandum. Without objection, the staff will make the change illustrated below.

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37. The SCSIA should present the significant components of the change, e.g., the changes due to the change in the valuation period; interest on the obligation due to present valuation; changes in demographic, economic, and healthcare assumptions; changes in law, regulation, and policy; and the amounts associated with each type of change (see Appendix D). The SCSIA should disclose in notes on the face of the statement and/or in notes to the financial statements the reasons for the changes. The reasons should be explained as briefly as possible without detracting from understanding. The most significant changes should be explained in the entity’s MD&A as well as in disclosures associated directly with the SCSIA.

Required Disclosure

Staff comment: the following paragraph involves the open issue of note disclosure of the accrued benefit obligation (Issue 6 of the August memorandum).

38. The entity should disclose an **accrued benefit obligation** amount in the notes to the financial statements. In order to depict trends, five years of data should be presented. The data should be accumulated prospectively. The preparer should select and describe in the notes to the financial statements the method used for calculating the accrued benefit obligation. In addition, the preparer should explain that the disclosure provides a perspective on social insurance programs from the point of view of a deferred benefit or an insurance obligation for those users who value such information.

Required Supplementary Information other than MD&A

39. As required in SFFAS 17, paragraph 27(1), actuarial projections of annual cashflow as a percentage of taxable payroll and gross domestic product (GDP) are required for component entities and for the governmentwide entity. For the OASDI and HI programs, the actuarial projections should be expressed as a percentage of taxable payroll and GDP. For the SMI program, the actuarial projections should be expressed as a percentage of GDP. For the RRB program, the actuarial projections should be expressed as a percentage of taxable payroll. For the Black Lung and UI programs, the actuarial projections should be expressed in inflation-adjusted or constant dollars. The percentages or amounts should be reported for at least every fifth year in the projection period for total cash inflow excluding net interest on intragovernmental borrowing/lending and total cash outflow. Actuarial

TAB B (August 2009) Attachment 3 – “Track Changes” Version of the Social Insurance Exposure Draft Paragraphs Presenting the Standard (#26-45)

projections of annual cashflow in nominal dollars are no longer required of component and governmentwide entities.

Valuation Date

40. All projections and estimates should be made as of a date (the valuation date) as close to the end of the fiscal year being reported upon as possible and no more than one year prior to the end of the reporting period. This valuation date should be consistently followed from year to year. If, after the valuation date, but prior to the end of the fiscal year, policy reforms are enacted or other major factors change that could materially affect the basic statement, the projections should be adjusted, if feasible, as if the policy reforms had taken place as of the valuation date. If policy reforms are enacted after the end of the fiscal year, but prior to the issuance of the financial statements, the financial statements should disclose the nature of the policy reform and, if known, the estimated effect on the projections.
41. The entity should provide a brief statement explaining that the SOSI amounts are estimates based on current conditions, that such conditions may change in the future, and that actual cost may vary, sometimes greatly, from the estimated cost. For example:

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.

Sensitivity Analysis

42. The entity should provide sensitivity analysis of the closed and open group measures appropriate for its particular social insurance program.⁸ The objective of sensitivity analysis is to illustrate how an estimate or projection would change if assumptions, data, methodologies or other inputs change.

⁸ See Actuarial Standards of Practice 32, paragraph 3.5.

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43. When determining the type of sensitivity analysis to provide, the entity should consider future trends, the utility of the information to the users and policy-makers, and the relative burden on the component entity resources. Providing analysis or disclosure for one or more periods will not imply that such analysis or disclosure is appropriate in the future, although the reasons for discontinuing a particular sensitivity analysis should be addressed in the annual report. ~~Entities may consider disclosing the results of stochastic modeling as an augment or alternative to sensitivity analysis.~~ [Staff comment: this sentence was deleted based on June 2009 decision. See minutes, pages 12.]

Governmentwide Entity Accounting and Reporting

44. The proposed standard for governmentwide accounting and reporting for social insurance programs is the same as that for component entities. However, the level of detail at the governmentwide level should be less than at the component level.

Effect on SFFAS 17

45. The proposed Statement provides additional requirements for presentation, disclosure, and supplementary reporting for social insurance programs. SFFAS 17 is amended as follows:

~~26. All projections and estimates required in these standards should be made as of a date (the valuation date) as close to the end of the fiscal year being reported upon ("current year") as possible and no more than one year prior to the end of the current year. This valuation date should be consistently followed from year to year.~~

27

(1) Cashflow Projections – ...

(a) Actuarial projections of the annual cashflow, ~~in nominal dollars,~~ with amounts reported for at least every fifth year in the projection period. The cashflow information should show

i. total cash inflow from:

- a. all sources and
- b. excluding net interest on intragovernmental borrowing/lending, and

TAB B (August 2009) Attachment 3 – “Track Changes” Version of the Social Insurance Exposure Draft Paragraphs Presenting the Standard (#26-45)

ii. total cash outflow.

~~b)The actuarial estimate provided in 27(1)(a)(i)2) and 27(1)(a)(ii) immediately above as a percentage of (i)taxable payroll⁷ and (ii) Gross Domestic Product (GDP).⁸~~

For the OASDI and HI programs, the actuarial projections should be expressed as a percentage of taxable payroll and gross domestic product (GDP). For the SMI program, the actuarial projections should be expressed as a percentage of GDP. For the RRB program, the actuarial projections should be expressed as a percentage of taxable payroll. For the Black Lung and UI programs, the actuarial projections should be expressed in constant (or inflation-adjusted) dollars.

~~⁷Certain social insurance programs (i. e., SMI , Black Lung benefits, and UI) are either not financed by earmarked payroll taxes or are financed by state-determined payroll taxes on employers that can vary by state and by employer; therefore these programs are not required to provide this estimate.~~

~~⁸This requirement does not apply to the RRB, Black Lung, and UI programs.~~

...

(4) Sensitivity Analysis –

(a) ~~For a~~All programs except UI, illustrate the sensitivity of the projections and present values required by paragraph 27(1) and 27(3) to change in the most significant individual assumptions. For example, using the entity’s “best estimates” cost assumptions as a baseline, show the effect of varying several significant assumptions one at a time to show the effect on the projection. At a minimum, the OASDI and Medicare programs should analyze assumptions regarding the birth and death rates, net immigration, the real wage differential, and the real interest rate. The real wage differential is the difference between the annual percentage increase in wages in covered employment and the inflation rate, as measured by the CPI. The Medicare program should also analyze the health care cost factors and their trend. should provide sensitivity analysis appropriate for their

TAB B (August 2009) Attachment 3 – “Track Changes” Version of the Social Insurance Exposure Draft Paragraphs Presenting the Standard (#26-45)

particular circumstances. The objective of sensitivity analysis is to illustrate how an estimate or projection would change if assumptions, data, methodologies or other inputs change. The SSA, Medicare and Railroad Retirement programs should provide sensitivity analysis of the the closed and open group measures in the SOSI summary. Appropriate considerations include future trends, the utility of the information to the users and policy-makers, and the relative burden on the component entity resources. Providing analysis or disclosure for one or more periods will not imply that such analysis or disclosure is appropriate in the future, although the reasons for discontinuing a particular sensitivity analysis should be addressed in the annual report. Entities may consider disclosing the results of **stochastic modeling** as an augment or alternative to sensitivity analysis. The entity should state that the amounts of the closed and open group measures depend on the assumptions used and that actual experience is likely to differ from the estimate.

~~(b) For UI, illustrate the sensitivity of the projections required by paragraph 27(1) to changes in the unemployment rate assumption. The illustrations should reflect the effect of increasing the unemployment rate (1) by approximately one percentage point and (2) to a level sufficient to put stress on the system (e.g., to simulate the largest recession occurring within the last 25 years).~~

32. ... (4) Sensitivity Analysis – For all social insurance programs, indicate that relevant sensitivity analysis is available in the component entity’s financial report, ~~provide a summary of the sensitivity analysis required under the standard for component entities (see par. 27(4)). At a minimum, the summary should present the OASDI, HI, SMI, and UI separately.~~

Effective Date

46. This standard would be effective for periods beginning after September 30, 2009.

The provisions of this statement need not be applied to immaterial items.

TAB B (August 2009) Attachment 4 – Summary of Responses to Social Insurance Exposure Draft

Attachment 4 – Summary of Respondents to Social Insurance Exposure Draft

27 responses were received to the social insurance exposure draft of November 2008 as follows:

	FEDERAL (Internal)	NON-FEDERAL (External)
Users, academics, others	2	16
Auditors	3	
Preparers and financial managers	6	

Table A – Tally of Responses by Question

QUESTION	YES / AGREE	NO / DISAGREE	NO COMMENT
Q1. The Board proposes to require social insurance component entities and the governmentwide entity to discuss and analyze key measures from the basic financial statements in their management’s discussion and analysis (“MD&A”). See paragraphs 26-30 in the proposed standard and paragraphs A75-A79 in the basis for conclusions. Do you believe that key measures should be presented in the MD&A as described in this exposure draft?	17	7	3
Q2. The Board is proposing to add a line for the closed group measure to the balance sheet below assets, liabilities, and net position and not included in the totals for these classifications. ²¹ See paragraphs 31-32 in the proposed standard and paragraphs A81-A100 in the basis for conclusions. Two members have submitted alternative views on this issue. See paragraphs A139-A142 in the basis for conclusions for Mr. Patton’s view. Mr. Patton and other members believe that a liability greater than the due and payable amount should be recognized on the balance sheet. See paragraph A144 in the basis for conclusions for Mr.	5	18	4

²¹ Definitions of certain terms are provided in the Definitions section and Appendix F: Glossary of this proposed standard.

TAB B (August 2009) Attachment 4 – Summary of Responses to Social Insurance Exposure Draft

QUESTION	YES / AGREE	NO / DISAGREE	NO COMMENT
<p>Werfel's view. Mr. Werfel and other members believe that the closed group measure should not be presented on the balance sheet.</p> <p>Do you believe that the balance sheet should present a line item for the closed group measure as described in this exposure draft?</p>			
<p>Q3. The Board proposes to add a new summary section of the statement of social insurance ("SOSI") to present the closed and open group measures. See paragraphs 34-35 in the proposed standard and paragraphs A114-A116 in the basis for conclusions.</p> <p>Do you believe that the SOSI should have a summary section as described in this exposure draft?</p>	13	10	4
<p>Q4. The Board proposes a new basic financial statement entitled "statement of changes in social insurance amounts." The new statement would explain the changes during the reporting period in the present value amounts for the closed group measure included in the statement of social insurance. See paragraphs 36-37 in the proposed standard and paragraph A116 in the basis for conclusions. Mr. Werfel and other members have an alternative view. They believe the new statement should focus on changes in the open group measure and not the closed group measure. The question of the use of the appropriate measure is addressed in question 7 below. See paragraph A145 in the basis for conclusions.</p> <p>Do you believe there should be a new basic financial statement explaining changes to the present value amount included in SOSI?</p>	17	5	5
<p>Q5. The Board proposes to disclose an accrued benefit obligation in notes to the financial statements. This information would include a five year trend when the standard is fully implemented. See paragraph 38 in the proposed standard and paragraphs 117-123 in the basis for conclusions. Mr. Werfel and other members have an alternative view expressing opposition to this disclosure. See paragraph A146 in the basis for conclusions.</p> <p>Do you believe that an accrued benefit obligation should be disclosed as described in this exposure draft?</p>	11	12	4
<p>Q6. The Board considered but decided not to propose adding a line item to the statement of net cost ("SNC") for the change during the</p>	19	3	5

TAB B (August 2009) Attachment 4 – Summary of Responses to Social Insurance Exposure Draft

QUESTION	YES / AGREE	NO / DISAGREE	NO COMMENT
<p>reporting period in the closed group measure that would be presented below exchange revenue and expenses and not included in the totals for these classifications. Some argue that this measure should not be presented on the SNC because it is a fundamentally different measure. Others believe the change is an economic cost that belongs on the SNC, and that including this number at the bottom of the SNC appropriately links all basic financial statements. See paragraphs A101-A113 in the basis for conclusions.</p> <p>Do you believe that the SNC should not include a line item for the change during the period in the closed group measure, which would be presented below exchange revenue and expenses and not included in the totals for these classifications?</p>			
<p>Q7. The Board decided to present the closed group measure (closed group measure) (defined in paragraph 19) as a common thread among the proposed new reporting. The proposal requires that the closed group measure and other key measures from the financial statements be discussed in management’s discussion and analysis; that the closed group measure be presented on the balance sheet below assets, liabilities and net position (without being included in the totals for those categories); and that the changes in the closed group measure during the reporting period be presented and explained in the new summary section of the statement of social insurance and the new statement of changes in social insurance. The Board considered the open group measure (defined in paragraph 24) instead of the closed group measure as the focus for the disclosure. This exposure draft discusses both the closed group measure and the open group measure throughout. Paragraphs A69-A74 provide the basic rationale for the Board’s selection of the closed group measure. Mr. Werfel and other members have an alternative view regarding the presentation of the closed group measure. They oppose the addition of the closed group measure to the balance sheet. Further, they believe the open group measure is the appropriate measure to use in the new statement of changes in social insurance and not the closed group measure. See paragraph A145 in the basis for conclusions.</p>	7	15	5

TAB B (August 2009) Attachment 4 – Summary of Responses to Social Insurance Exposure Draft

QUESTION	YES / AGREE	NO / DISAGREE	NO COMMENT
<p>Do you agree with the Board’s decision to feature the closed group measure?</p>			
<p>Q8. The Board is proposing to change the requirement currently in SFFAS 17 for specific sensitivity analysis. The standard will require the entity to provide sensitivity analysis of the closed and open group measures appropriate for its particular social insurance program but will not specify a particular approach for the analysis. See paragraphs 42-43 of the standard and paragraphs A125-A137 of the basis for conclusions.</p> <p>Do you believe that a general requirement that allows flexibility in the sensitivity analysis presented will produce better information regarding the sensitivity of social insurance programs?</p>	14	6	7

TAB B (August 2009) Attachment 4 – Summary of Responses to Social Insurance Exposure Draft

Table B – Quick Table of Responses by Question

Key to Respondents

	Name	Organization	Category
1	Douglas Jackson	Individual	Non-federal, Other
2	Dick Young	Individual	Non-federal, Other
3	Juan Kelly	Mahoney and Associates	Non-federal, Other
4	Kenneth Winter	Individual	Non-federal, Other
5	David M. Walker	Peter G. Peterson Foundation	Non-federal, Other
6	Mary Glenn-Croft	Social Security Administration, Office of Chief Financial Officer	Federal Preparer
7	Daniel L. Fletcher	CFOC Standardization Committee, FASAB Response Group Representative	Federal Preparer
8	Steven Schaeffer	Assistant Inspector General for Audit, Social Security Administration	Federal Auditor
9	Eric Klieber	Buck Consultants	Non-federal, Other
10	Dr. Joseph Maresca	Individual	Non-federal, Other
11	Denial Kovlak	Greater Washington Society of CPAs and GWSCPA Educational Foundation	Non-federal, Other
12	Andrew Rettenmaier	Texas A & M University	Non-federal, Other
13	Stephan Goss	Chief Actuary, Social Security Administration	Federal Preparer
14	Cynthia Simpson	Labor Department	Federal Preparer
15	Richard G. Schreitmueller	American Academy of Actuaries	Non-federal, Other
16	Jagadeesh Gokhale	Cato Institute	Non-federal, Other
17	Terry Bowie	NASA	Federal Preparer
18	Sheila Weinberg	Institute for Truth in Accounting	Non-federal, Other
19	Robert Childree	AGA – Financial Management Standards Board	Non-federal, Other
20	Alvin K. Winters	Individual	Non-federal, Other
21	The Honorable Jim Cooper	House of Representatives	Federal, Other
22	Frank Murphy	Department of Housing and Urban Development	Federal Preparer
23	Jeanette Franzel	government Accountability Office	Federal Auditor
24	Douglas W. Elmendorf	Congressional Budget Office	Federal, Other
25	Elliot P. Lewis	Assistant IG, Labor Department	Federal Auditor
26	John Favret	Individual	Non-federal, Other
27	Peter Knutson & Mary Foelster	AICPA, Chairman, FASAB Social Insurance Task Force, and Director, Governmental Auditing and Accounting, respectively	Non-federal, Other

TAB B (August 2009) Attachment 4 – Summary of Responses to Social Insurance Exposure Draft

Table B – Quick Table of Responses by Question

Respondent ▼	1 Do you Agree?	2 Do you Agree?	3 Do you Agree?	4 Do you Agree?	5 Do you Agree?	6 Do you Agree?	7 Do you Agree?	8 Do you Agree?
1	Yes	No	Yes	N/C	Yes	No	N/C	N/C
2	N/C	N/C	N/C	N/C	N/C	N/C	N/C	N/C
3	Yes	No	Yes	No	No	Yes	No	No
4	N/C	N/C	N/C	N/C	N/C	N/C	N/C	N/C
5	Yes	No	No	Yes	No	Yes	No	Yes
6	No	No	No	Yes	No	Yes	No	Yes
7	No	No	No	Yes	No	Yes	No	Yes
8	No	No	Yes	No	No	Yes	No	Yes
9	Yes	No	No	Yes	No	Yes	No	Yes
10	N/C	N/C	N/C	N/C	N/C	N/C	N/C	N/C
11	Yes	Yes	Yes	Yes	Yes	Yes	No	No
12	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
13	No	No	No	Yes	No	Yes	No	No
14	No	No	Yes	Yes	Yes	Yes	N/C	Yes
15	No	No	No	Yes	No	Yes	No	No
16	Yes	Yes	N/C	N/C	N/C	N/C	No	N/C
17	Yes	No	No	Yes	No	Yes	No	Yes
18	Yes	Yes	Yes	No	Yes	No	Yes	N/C
19	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
20	Yes	No	No	Yes	No	Yes	No	No

TAB B (August 2009) Attachment 4 – Summary of Responses to Social Insurance Exposure Draft

Respondent ▼	1 Do you Agree?			2 Do you Agree?			3 Do you Agree?			4 Do you Agree?			5 Do you Agree?			6 Do you Agree?			7 Do you Agree?			8 Do you Agree?		
21	Yes			Yes			Yes			Yes			Yes			No			Yes			N/C		
22	Yes			No			Yes			Yes			Yes			Yes			No			Yes		
23	Yes			No			Yes			Yes			No			Yes			No			No		
24	Yes			No			Yes			Yes			Yes			Yes			Yes			Yes		
25	Yes			No			No			No			Yes			Yes			No			Yes		
26	No			N/C			No			No			No			N/C			Yes			Yes		
27	Yes			No			Yes			Yes			Yes			Yes			Yes			Yes		
Totals	17	7	3	5	18	4	13	10	4	17	5	5	11	12	4	19	3	5	7	15	5	14	6	7
Legend – N/C – no comment or not able to characterize the comment as agreement or disagreement.																								

TAB B (August 2009) Attachment 5 – Tables of FASAB Decisions and Points of Consensus as of June 2009

Attachment 5 – Tables of FASAB Decisions and Points of Consensus as of June 2009

Table No. 1 – Decisions and Points of Consensus as of February 26, 2008

	Board Majority View	Board Minority View
<p>Pre-<i>Preliminary Views</i> staff Question #1 – What attribute should be measured for social insurance?</p> <p>Staff recommends present value.</p> <p>The objective regarding the measurement attribute for social insurance should be the same as FASB’s “fair value.” Fair value is essentially market value but “for some assets and liabilities, management’s estimates may be the only available information.” Present value is a component of FASB’s fair value hierarchy. Moreover, present value is required in various current FASAB standards that require long-range projections, including SFFAS 5 (for pension, retirement healthcare, insurance, and other liabilities), SFFAS 17, and others. Also, the Social Security Trustees use present value extensively in their Annual Report.</p>	<p>The members agreed with the recommendation.</p>	<p>No disagreement was expressed.</p>

TAB B (August 2009) Attachment 5 – Tables of FASAB Decisions and Points of Consensus as of June 2009

Table No. 1 – Decisions and Points of Consensus as of February 26, 2008

	Board Majority View	Board Minority View
<p><i>Pre-Preliminary Views</i> staff Question #2 – Should OASDI and Medicare liabilities include projected amounts in excess of the current statutory limit?</p> <p>Staff recommends including the full cost and full liability to the participants.</p> <p>The probability that the government would ignore the shortfall and then default on a large percentage of the benefits is remote.</p> <p>[Staff Note: Regarding this issue, staff notes two points. First, the cap involves the open group projection, which, as the Board is well aware, includes all participants and all revenue and cost over 75 years. It is a different measure than the liability the staff recommended, which measures the gross cost of benefits for a specific, limited population group. No taxes to be paid in the future or benefits to be credited in the future would be included in the liability. Assets (i.e., Treasury securities), which represent accumulated excess</p>	<p>Messrs. Patton, Schumacher, Reid, and Mosso, and Ms. Cohen agreed with the staff recommendation, with the statutory limitation reported either on the face of the financial statements or in a footnote.</p> <p>Some of the rationales expressed:</p> <p>Mr. Reid said that a computation that was limited to statutory provision would be incomplete.</p> <p>Ms. Cohen said that current law does not limit the benefits per se. The projection shows a shortfall, but the projection is based on assumptions and estimates and may be change. Current law merely makes it a self-financing program.</p>	<p>Three members disagree with recommendation (GAO, OMB, CBO). One member (Mr. Farrell) was concerned about what he viewed as inconsistent application of the current law notion, but he did not express a position.</p> <p>Some of the rationales expressed:</p> <p>Mr. Torregrosa said that since the Board is using current law as the basis for liability decisions and current law specifies that funding is cut off, the projection should be based on what is available.</p> <p>Mr. Dacey said that amounts should not be projected in excess of the statutory limit. Although accruing liabilities for other unfunded programs is appropriate, these programs are unique because of the public communication that full benefits will not be paid in the future. However, the full exposure or responsibility for the federal government should be communicated in the SOSI.</p>

TAB B (August 2009) Attachment 5 – Tables of FASAB Decisions and Points of Consensus as of June 2009

Table No. 1 – Decisions and Points of Consensus as of February 26, 2008

	Board Majority View	Board Minority View
<p>revenue received as of the reporting date, would be accounted for separately under the proposal.</p> <p>Secondly, this appears to be a “funding” issue, and the Board has said that funding should not affect liability recognition.</p> <p>Also, the cap would affect the Medicare liability sooner than the Social Security. The statutory provisions for Medicare will be inefficient to pay 100 percent of HI claims (SMI, Part B, re doctor bills has access to the General Fund and therefore has no such “cap”) will arrive much sooner than for Social Security.]</p>		
<p><i>Pre-Preliminary Views</i> staff Question #3 – What assumptions should be used in projecting cash flow?</p> <p>The staff recommends a general requirement as in SFFAS 5 with a reference to actuarial standards of practice.</p> <p>The recommendation is a pragmatic approach to this very difficult subject and has been</p>	<p>The members agreed with the recommendation.</p>	<p>No disagreement was expressed.</p>

TAB B (August 2009) Attachment 5 – Tables of FASAB Decisions and Points of Consensus as of June 2009

Table No. 1 – Decisions and Points of Consensus as of February 26, 2008

	Board Majority View	Board Minority View
<p>effective for past FASAB standards.</p> <p>Also, from a cost-benefit perspective, one might question not availing of the current process.</p>		
<p>Pre-<i>Preliminary Views</i> staff Question #4 – How should uncertainty be illustrated?</p> <p>In addition to the recommendations below regarding display, disclosure and RSI, the staff recommends exploring the use of “expected present value” as an alternative to present value based on the “best estimate.”</p> <p>The expected cash flow approach accommodates the use of present value techniques when the timing of cash flows is uncertain. The expected cash flow approach focuses on explicit assumptions about the range of possible estimated cash flows and their respective probabilities. The “best estimate” approach is well known and perhaps even “generally accepted” with respect to Social Security and Medicare, and yet the EPV approach is gaining is</p>	<p>The members agreed with the recommendation and decided that the exploration would be part of the measurement project or at least not part of the Social Insurance Liability Project.</p>	<p>No disagreement was expressed.</p>

TAB B (August 2009) Attachment 5 – Tables of FASAB Decisions and Points of Consensus as of June 2009

Table No. 1 – Decisions and Points of Consensus as of February 26, 2008

	Board Majority View	Board Minority View
acceptance in the private sector and is worth exploring for social insurance.		
<p><i>Pre-Preliminary Views</i> staff Question #5 – What should be recognized as social insurance “expense” or “cost”?</p> <p>The staff recommends four components. For OASDI and HI the four components of cost describe above – “service cost,” interest on the liability, actuarial gains and losses, and prior service cost – are consistent with the benefit promise expressed for OASDI and HI as a given amount per year of work in covered employment as well as the changes therein in subsequent periods. For SMI staff recommends the insurance accounting provided in SFFAS 5 and FAS 60. The staff recommends that SMI be characterized as short-term health insurance because it has the short-term characteristics discussed in FAS 60, e.g., SMI provides insurance protection for a fixed period, and the government may</p>	<p>A majority of the Board agreed with the recommendation.</p>	<p>No disagreement was expressed but Mr. Patton raised an issue regarding what the cost or expense would be for. He noted that the staff memo, on page 1, notes that a majority of the Board tentatively decided that the obligating event for Social Security and Medicare Hospital Insurance (HI) occurs when participants meet the 40-quarters of work in covered employment (or equivalent) condition. On page 2, the memo says that a key component of cost is the present value of future outflows attributable to obligating events occurring in the reporting period. He said these two statements did not appear to work together, unless work in covered employment after 40 quarters is also an obligating event. He asked what the obligation occurring at 40 quarters is for. He suggested it was for the present value of the full amount due when the participant retires rather than only the amount credited to the participant at 40 quarters, plus the annual increments after that, based on work covered employment to the reporting date. He said the subsequent increments were being treated as if an earnings process was taking place, which he disagreed with. However, if the latter is the Board’s position, then the subsequent work in</p>

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Table No. 1 – Decisions and Points of Consensus as of February 26, 2008

	Board Majority View	Board Minority View
<p>adjust the provisions of coverage at the end of any coverage period. The cost of SMI would be the all claims incurred during the period, including, when appropriate, those not yet reported and contingencies that meet the criteria for recognition; and a provision for premium deficiency, if any. As short-duration insurance SMI is not likely to have premium deficiency. The SMI would involve a shorter-range estimate than Social Security and HI, but where longer-range estimates were necessary, present value would be appropriate. In the case SMI cost would include components like those measure for OASDI and HI, i.e., present value, interest on the obligation, actuarial gains and losses.</p>		<p>covered employment was also an obligating event.</p> <p>Mr. Dacey said he also saw a comparison issue between the staff recommendation for measuring Social Security as an incremental cost versus the SMI approach. He said future revenue should be included because it is a realistic assumption that participants will be paying the premium when they are getting the benefits. He said he did not know why that was not being recommended for Social Security as well.</p> <p>Mr. Torregrosa said that CBO does not distinguish between Social Security and Medicare Hospital Insurance, Part A, on the one hand and Medicare SMI, Part B, on the other. Thus, CBO would reject the insurance accounting approach for SMI, Part B, and in particular would not count any future premium income in the estimate because that would not be done for Social Security. He said CBO favors accelerating the recognition point for SMI to 40 quarters.</p>
<p>Pre-<i>Preliminary Views</i> staff Question #6 – What should be recognized as the social insurance liability?</p> <p>The staff recommends that liability be the accumulated cost.</p>	<p>Chairman Mosso polled the Board. A majority agreed with the staff recommendation that the liability is the accumulated cost.</p>	<p>No disagreement was expressed regarding the notion that the liability should be the accumulated cost. Mr. Patton raised an issue discussed in Question #5 above. Mr. Zavada said that the staff paper had only been available for a short period of time and he had not had time to consult with SSA or HHS on the</p>

TAB B (August 2009) Attachment 5 – Tables of FASAB Decisions and Points of Consensus as of June 2009

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	Board Majority View	Board Minority View
Accrued costs and liabilities for social insurance would exclude costs attributable to obligating events occurring in the future.		different questions, which he wanted to do before weighing-in.
<p><i>Pre-Preliminary Views</i> staff Question #7 – What should be displayed for social insurance on the statement of net cost, balance sheet, and other statements?</p> <p>The Social Insurance project staff recommends a total amount for cost on the statement of net cost and liability on the balance sheet representing all components of accrued cost and liability. The totals could be disaggregated by, for example, age cohort, and/or by degree of uncertainty, and/or by “service cost” plus interest on the liability and actuarial gains and losses.</p> <p>With respect to employee pensions and other retirement benefits the FASAB precedent is to recognize all components of net cost in the year of incurrence. The conclusion has been that, for example, amortizing actuarial gains and losses over X number of years produces a “smoothing” effect that</p>	<p>The Board did not have an opportunity to address this question at this time.</p> <p>Mr. Reid suggested a separate presentation for actuarial gains and losses for social insurance and all other programs where they are significant. He said he has a very strong preference for not commingling operating expenses with changes actuarial assumptions and for finding some place other than the statement of net cost to put the effects of changes in assumptions.</p> <p>Mr. Reid said his goal is to display the components of a change in the liability rather than aggregating it in one number. This would highlight, for example, frequent changes in assumptions that have little economic justification. He said he wants to avoid having hundred billion(s) dollar swings affecting the statement of net cost. He prefers that the latter display the cost of running the government for a year.</p> <p>Mr. Reid said there would be several choices for displaying actuarial gains and losses when they arise. He suggested, for example, that they could be capitalized and amortized; or,</p>	

TAB B (August 2009) Attachment 5 – Tables of FASAB Decisions and Points of Consensus as of June 2009

Table No. 1 – Decisions and Points of Consensus as of February 26, 2008

	Board Majority View	Board Minority View
can be misleading and in the private sector has allowed the preparer to manage earnings.	<p>they could be booked directly to a statement that displays these effects, which could be closed to net position; or they could be displayed as a line item on the statement of changes in net position so that, in effect, they do not hit the operating cost in the year the changes in assumptions occur. He said that changing the bottom line on this statement to “operating cost” would be a possibility.</p> <p>Chairman Mosso said he preferred that actuarial gains and losses not be reported directly to net position. They ought to flow through a statement.</p>	
<p><i>Pre-Preliminary Views</i> staff Question #8 – What should be disclosed about social insurance in the notes?</p> <p>The staff recommends ... to be determined.</p>	The Board did not have an opportunity to address this question at this time.	
<p><i>Pre-Preliminary Views</i> staff Question #9 – What should be done with RR Retirement, Unemployment Insurance, and Black Lung Benefits?</p> <p>Staff recommends the following:</p>	The Board did not have an opportunity to address this question at this time.	

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Table No. 1 – Decisions and Points of Consensus as of February 26, 2008

	Board Majority View	Board Minority View
<p>Railroad Retirement – analogize to OASDI and SMI. Unemployment Insurance – continue to apply SFFAS 17 Black Lung Benefits – continue to apply SFFAS 17</p> <p>Railroad Retirement program features are similar enough to OASDI and Medicare to apply the same approach. Unemployment insurance is unlike OASDI and SMI and for the present the SFFAS 17 is adequate. Black Lung Benefits is immaterial and is phasing-out and SFFAS 17 requirements are adequate.</p>		
<p><i>Pre-Preliminary Views</i> staff Question #10 – What is the reporting objective for social insurance?</p> <p>The staff recommends that the objective should be to report the costs incurred in during the reporting period based on obligating events in that period.</p> <p>The objective of the communication should be to report the costs</p>	<p>A majority of the Board agreed with the recommendation.</p>	<p>No disagreement was expressed, but see Mr. Patton’s issue in Question #5 above.</p>

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Table No. 1 – Decisions and Points of Consensus as of February 26, 2008

	Board Majority View	Board Minority View
<p>incurred in during the reporting period and the amount of those costs that will have to be financed in future budgets. The latter are sometimes referred to as “legacy costs” or “sunk costs.” They represent the accrued liability portion of long-term actuarial projections. Other measures are either macro economic or pertain to a specific aspect of the plan, e.g., return on investment.</p>		
Consensus Items, December 2007		
<p>There is a consensus among members regarding the following components of a social insurance standard, which primarily involve display:</p>	<p>Retain the Statement of Social Insurance (SOSI). Some aspects of the format for the SOSI are yet to be determined, but the staff assumes that the SOSI will continue to require five years of data and therefore provide information about trends.</p> <p>Add a statement of changes in SOSI amounts. The format for the statement of changes is yet to be determined. The Primary View proposed expanding the SOSI. The Alternative View proposed a separate statement. Mr. Reid recently suggested expanding the SOSI to explain, for example, how much of the change is due to work in covered employment in the current year, how much is due to benefits paid out during the current year, and how much to changes in assumptions.</p> <p>Retain the SFFAS 17 required supplementary information (RSI).</p> <p>Consider changes to the Statement of Changes in Net Position and other basic financial statements to display social insurance information. The possibilities include a new line item(s) and/or section(s) for the current statements as well as a new basic statement to bridge the Balance Sheet, Statements of Changes in Net Position and of Net Cost, and/or the SOSI.</p>	

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Table No. 1 – Decisions and Points of Consensus as of February 26, 2008

	Board Majority View	Board Minority View
	<p>Congress's ability to change a social insurance program, by itself, does not mean that obligations under the program are not liabilities.</p> <p>Proposals regarding social insurance display eventually will be explained in the context of the current FASAB accounting and reporting model. New information and displays may or may not align with this model. Alternatives will be evaluated against the elements definitions, current concepts of recognition versus disclosure, and implications for other statements in the model.</p>	

Majority Positions, April 2008

	<p>At the April meeting, the Board continued its discussion of the nature and display of social insurance information, and there appeared to be a majority for:</p> <ul style="list-style-type: none"> • highlights information to be presented in the governmentwide management's discussion and analysis (MD&A) section, as requirement supplemental information (RSI). The highlights would include the information in Table 1, "The Nation By the Numbers – An Overview," which was presented in the introductory, "citizen's guide," section of the FY 2007 consolidated Financial Report of the United States government (CFR). In addition, the highlights would include the change in the closed group net present value (NPV) in the "social insurance exposures" section, rather than in the costs section; • a line item for the closed group NPV in a stand alone section on the balance sheets of the governmentwide and component entities; • no additional displays on the governmentwide or component entity operating statement, statement of net cost, or statement of changes in net position; • a summary section on the governmentwide SOSI displaying the NPV of the closed group and open group, as was done for the FY 2007 CFR. In addition, for the component entity's SOSI, the same summary section as for the CFR; and • a statement of changes in SOSI amounts, closed group only, for the governmentwide and component entities, with a format as proposed in April 2006.
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TAB B (August 2009) Attachment 5 – Tables of FASAB Decisions and Points of Consensus as of June 2009

Table 2 – MATRIX OF MEMBERS’ RESPONSES TO STAFF QUESTIONS, APRIL 2008										
HIGHLIGHTS STATEMENT (Attachment 1 in April briefing material)										
	NJ	JF	HS	BM	BR	DW	BD	AS	JP	TA
Should the CFR have a highlights statement (HS)?	Yes, require highlights in the MD&A, not as a basic financial statement. Be somewhat prescriptive.	Yes	Yes, require highlights in the MD&A, not as a basic financial statement	No. Don't prescribe MD&A.	Yes, require highlights in the MD&A. Does not need to be a basic fin. stmt. Do not be too prescriptive.	Yes. Agrees with Mr. Steinberg. Require highlights in the MD&A, not as a basic financial statement.	Yes, highlights could be in the MD&A. Should not be a basic fin. stmt. Do not be too prescriptive.	Yes, require highlights in the MD&A, not as a basic financial statement	Yes	Yes, require highlights in the MD&A, not as a basic financial statement
If so, is format in Attachment 1 appropriate? If not, what add/subtract?	Yes but do not display Treasury securities & assets.	Yes	No. Guidance should be the “what” only, not “how.”	N/A (see immediately above)	Yes but do not display Treasury securities & assets.	No. Guidance should be the “what” only, not “how.”	Should not prescribe format but, in any case, he'd show change in SI with “SI exposures,” not with “costs.” Would not display Treasury securities & assets.	Yes but do not display Treasury securities & assets.	Yes	Yes but do not display Treasury securities & assets.
Should Highlights	Yes	No specific	No specific	No specific comment	Yes	No specific	SI should be a part of	No specific	No specific	No specific

TAB B (August 2009) Attachment 5 – Tables of FASAB Decisions and Points of Consensus as of June 2009

Table 2 – MATRIX OF MEMBERS’ RESPONSES TO STAFF QUESTIONS, APRIL 2008										
include fiscal imbalance?		comment	comment			comment	eventual fiscal sustainability discussion in MD&A.	comment	comment	comment
Should Highlights be “basic”?	No. Should be RSI.	Yes	No. Should be RSI.	No	No. Should be RSI.	No. Should be RSI.	No	No. Should be RSI.	Yes	No. Should be RSI.

Table 2 – MATRIX OF MEMBERS’ RESPONSES TO STAFF QUESTIONS, APRIL 2008										
BALANCE SHEET LINE ITEMS (Attachment 2 in April briefing material)										
	NJ	JF	HS	BM	BR	DW	BD	AS	JP	TA
Should CFR and component entity balance sheets (B/S) have line items as proposed?	Yes. Display NPV of closed group. Do not display Treasury securities & assets.	Yes	No	Yes. Do not display Treasury securities & assets.	Yes. Do not display Treasury securities & assets.	No	No	Yes. Do not display Treasury securities & assets.	Yes	Yes. Do not display Treasury securities & assets.
If concept of B/S line items is acceptable, do you approve format? If not, what instead?	Yes. Do not present Treasury securities & assets in CFR. Consider Chart 13-1 from <i>Budget</i> .	Yes	N/A (see immediately above)	Yes. Do not present Treasury securities & assets in CFR.	Yes. Do not present Treasury securities & assets in CFR.	N/A (see immediately above)	N/A (see immediately above)	Yes. Do not present Treasury securities & assets in CFR.	Yes	Yes. Do not present Treasury securities & assets in CFR.

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Table 2 – MATRIX OF MEMBERS’ RESPONSES TO STAFF QUESTIONS, APRIL 2008										
OPERATING STATEMENT LINE ITEMS (Attachment 3 in April briefing material)										
	NJ	JF	HS	BM	BR	DW	BD	AS	JP	TA
Should CFR & component oper. stmts. have line items?	No. SI ≠ op. costs.	Yes	No	No	No	No	No	Yes	Yes	Yes
If concept of oper. stmt. line items is acceptable, do you approve format? If not, what instead?	N/A (see immediately above)	Yes	N/A (see immediately above)	N/A (see immediately above)	N/A (see immediately above)	N/A (see immediately above)	N/A (see immediately above)	Yes. Do not present Treasury securities & assets in CFR.	Yes	Yes

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Table 2 – MATRIX OF MEMBERS’ RESPONSES TO STAFF QUESTIONS, APRIL 2008										
STATEMENT OF SOCIAL INSURANCE (Attachment 4 in April briefing material)										
	NJ	JF	HS	BM	BR	DW	BD	AS	JP	TA
Should the CFR SOSI have a summary section?	Yes. It should tie to balance sheet.	Yes	Yes	No specific comment	Yes. It should tie to balance sheet.	No	Yes	Yes	Yes	Yes
If concept of SOSI summary is acceptable, do you approve format? If not, what instead?	Yes. Do not put the assets on the CFR.	Yes. Okay with not to putting assets on the CFR.	Yes. Do not put the assets on the CFR.	No specific comment	Yes. Do not put the assets on the CFR.	N/A (see immediately above)	Yes. Do not put the assets on the CFR.	Yes. Do not put the assets on the CFR.	Yes. Do not put the assets on the CFR.	Yes
Should component entities’ SOSI have the summary section?	Yes. It should tie to balance sheet.	Yes	Yes	No specific comment	Yes. It should tie to balance sheet.	No	Yes	Yes	Yes	Yes

TAB B (August 2009) Attachment 5 – Tables of FASAB Decisions and Points of Consensus as of June 2009

Table 2 – MATRIX OF MEMBERS’ RESPONSES TO STAFF QUESTIONS, APRIL 2008										
STATEMENT OF CHANGES IN SOSI AMOUNTS (Attachment 5 in April briefing material)										
	NJ	JF	HS	BM	BR	DW	BD	AS	JP	TA
Do you approve format of statement of changes in SI amounts (SoC) ? If not, what instead?	Yes	Yes	Yes. Pick either the closed or open group.	Yes. Display closed group only.	Yes	Yes	Yes	Yes	Yes	Yes
Should SoC be “basic”?*	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

*Although most members did not address this question specifically, staff assumes that approval of the SoC means also approval as basic info.

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Table 3 – June 2008 Staff Questions and Board Member Answers		
	Majority View	Minority View
Does the Board agree with the [MD&A] highlights requirement?	The standard will identify all the items on the pro forma table as key measures to be discussed in the MD&A financial statement discussion but it will not require (or preclude) tabular or statement format. Specific sub-line items would not be required.	Some members said the Board is being too prescriptive, e.g., there are six financial statements now.
Does the Board agree that the closed group NPV should be displayed in a separate section “below the line” on the balance sheet?	Mr. Allen asked if any member wanted to change his vote from the April meeting (see “Balance Sheet Line Items” in the Matrix for April 2008 immediately above). No member did. (See 28 of June minutes.)	
Does the Board agree that the closed and open group NPV should be displayed on the <u>CFR SOSI</u> ?	No objections expressed. The standard will not preclude presenting the SOSI information in different ways, e.g., net numbers by cohort.	
Does the Board agree that the closed and open group NPV should be displayed on the <u>component entity’s SOSI</u> ?	No objections expressed. The standard will not preclude presenting the SOSI information in different ways, e.g., net numbers by cohort.	
Does the Board agree that the items causing change during the period that are illustrated in Attachment 6 [the statement of changes in social insurance amounts] are appropriate?	There were no objections to the line items but several members asked for more explanation of the meaning of several line items, e.g., “changes in programmatic data.”	
Does the Board agree that the accrued benefit obligation should be disclosed in the notes to the financial statements?	The Board decided to postpone a vote on this disclosure. Some members noted that users want to know what this number is, that it would be provided in the spirit of compromise, and that context would be	Some members were concerned that more than one number would be confusing; that the accrued benefit obligation implied that the program would be terminated and/or that it implies a liability; and that the Board

TAB B (August 2009) Attachment 5 – Tables of FASAB Decisions and Points of Consensus as of June 2009

Table 3 – June 2008 Staff Questions and Board Member Answers		
	Majority View	Minority View
	provided for it in the note.	hadn't deliberated enough on it.
Should a bottom line like that on the balance sheet be provided on the operating statement representing the change in the level of social insurance commitments during the period?	The Board did not approve a line item for the operating statement. The members did not object to explaining, in the basis for conclusions, that the Board considered this and the reasons why the Board rejected it. They did not object to a question for respondents on the subject.	

Table 4 – August 2008 Staff Questions and Board Member Answers		
	Majority View	Minority View
Staff Question #1 – Does the Board approve having the proposed standard amend rather than replace SFFAS 17 and SFFAS 15?	The Board voted in favor of focusing on SFFAS 17 for the proposed standard. SFFAS 17 will be amended to require, from SI entities only, the analysis of key financial statement amounts in the MD&A. SFFAS 15 will not be amended to apply the SI MD&A requirements generally to other federal entities. (See table below for the vote tally.)	Some members favored amending SFFAS 15 in a limited way to require a more robust discussion of key financial statement amounts in the MD&A of all federal entities. They argued that some improvement in the short run was better than a lot of possible improvement in the indeterminate future. Some members favored a starting a separate project to comprehensive address problems with the MD&A standard.
Staff Question #2 – Does the Board have additional questions for respondents?	The Board decided to add questions for respondents about the relative merits of the closed group measures, and about sensitivity analysis.	
Staff Question #3 – Does the Board have additional suggestions regarding the components of the change in social insurance amounts during the reporting period?	The Board decided that the proposed statement will require (1) footnotes at the bottom of the statement (or wherever there is room on the face of the statement) explaining the reasons	

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Table 4 – August 2008 Staff Questions and Board Member Answers		
	Majority View	Minority View
	for the changes. The explanation of some changes is likely to require several sentences. The most significant changes also will be explained in the MD&A. However, no formal note disclosure will be required. And, the Board decided (2) the format and line items for the statement that are illustrated in the proposed standard would be merely an example of the requirement, i.e., no specific categories will be required.	
Staff Question #4 – Does the Board continue to support [the approach to sensitivity analysis]?	There were no objections or issues raised regarding the approach to sensitivity analysis. However, the Board decided that there should be more language to explain the objective of sensitivity analysis and to make it more objective driven.	
Staff Question #5 – Does the Board approve the discussion of respondents’ comments in the basis for conclusions?	There were no objections to the approach for summarizing the responses to the preliminary views document.	
Other Questions/Issues in August 2008.	Majority View	Minority View
Should there be a required note disclosure of the accrued benefit obligation?	The Board voted in favor of disclosing the accrued benefit obligation in a note because users ask for it, including at least 50 percent of the respondents to the <i>Preliminary Views</i> document; and because it is part of a compromise	Some members were opposed to disclosing this number in a footnote because they did not have enough information on how it would be applied to Medicare; and/or they preferred that there be fewer numbers for users to

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Table 4 – August 2008 Staff Questions and Board Member Answers		
	Majority View	Minority View
	package. Staff will explain how it will be calculated regarding Medicare. (See table immediately below for the vote count.)	consider; and/or they felt the number implied that the SI programs will be terminated.
Should the Treasury securities held by social insurance entities be included in the summary section of the governmentwide and component entities' SOSI?	The Board decided that the Treasury securities should not be included in the summary section of the governmentwide CFR SOSI because the gross NPV will have to be financed and the securities held do not represent assets of the consolidated entity for program financing. The members did not object to reporting them on the component entities' SOSI.	

Table 5 – August 2008 Vote re Whether the Social Insurance Standard Should Go forward: [Staff Question #1 for August 2008]		
1) focusing solely on implications of social insurance reporting	(2) as written with social insurance reporting requirements and an MD&A amendment addressing financial statement analysis that would apply to all agencies.	a second part of the second question is: (3) or do members want a separate project on MD&A.
	Mr. Reid	
Mr. Torregrosa		
Mr. Steinberg		
	Mr. Farrell	
Mr. Jackson		
Mr. Patton		
Mr. Schumacher		
	Mr. Dacey	

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Table 5 – August 2008 Vote re Whether the Social Insurance Standard Should Go forward: [Staff Question #1 for August 2008]		
	Ms. Hug	
Mr. Allen		

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Table 6 – August 2008 Vote re Whether to Focus on One Consistent Measure and, If So, Which One			
Yes, Focus on One Consistent Measure for MD&A and Statements	Which Measure?		Current Participant Liability + Residual Open Group
	Closed Group	Open Group	
Mr. Allen	Mr. Allen		
??		Ms. Hug	
Mr. Dacey		Mr. Dacey	
Mr. Schumacher	Mr. Steinberg		
Mr. Patton	Mr. Patton		
Mr. Jackson	Mr. Jackson		Mr. Jackson
Mr. Farrell	Mr. Farrell		
Mr. Steinberg		Mr. Steinberg	
Mr. Torregrosa	Mr. Torregrosa		
Mr. Reid	Mr. Reid		

Table 7 – August 2008 Vote re Whether to Approve the Disclosure of an Accrued Benefit Obligation			
Approve the Disclosure		Disapprove the Disclosure	
Social Security	Medicare	Social Security	Medicare
		Ms. Hug	Ms. Hug
Mr. Dacey	Mr. Dacey		
Mr. Schumacher	Mr. Schumacher		
Mr. Patton	Mr. Patton		
Mr. Jackson		(if all or none)	Mr. Jackson
Mr. Farrell		(if all or none)	Mr. Farrell
Mr. Steinberg	Mr. Steinberg		
Mr. Torregrosa		(if all or none)	Mr. Torregrosa
Mr. Reid	Mr. Reid		
Mr. Allen	Mr. Allen		

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Table 8 – October 2008 Vote re Whether the Discussion of Key Financial Measures Should Be In A Specific MD&A Section.		
	Should the Discussion of Key Financial Measures Be in a Specific MD&A Section?	
	Yes	No
Mr. Patton	Yes, people should not have to search through the MD&A	
Mr. Schumacher	Agrees with Mr. Patton	
Mr. Dacey		No. Agrees with the objective of making the discussion easy to find, but would vote “no” because SFFAS 15 does not establish 4 distinct MD&A sections, at least in practice.
Mr. Werfel		No. Agrees with Mr. Steinberg that the standards should not get be too prescriptive about display.
Mr. Allen	Agrees with Mr. Patton	
Mr. Reid		Agrees with Mr. Werfel
Mr. Torregrosa		Agrees with Mr. Steinberg
Mr. Steinberg		Agrees with Mr. Steinberg
Mr. Farrell	Yes. The reference to sections in paragraph 26 of the ED should not be taken literally. There should be an area within MD&A that discusses financial statement analysis.	
Mr. Jackson	Yes. ED paragraph 26 merely says the section “devoted to financial statement analysis.” He suggested leaving paragraph 26 as is and changing the Question for Respondents to agree with it.	

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Table 9 – October 2008 Vote on Whether the SI ED Should Be Issued			
	Should the SI ED be Issued?		
	Yes	No	Other
Mr. Patton	Send it out.		
Mr. Schumacher	Send it out.		
Mr. Dacey	Would like to get the document out because it is important to get the issues out and get comments; but is also evaluating an alternative view and evaluating whether he would join that.		
Mr. Werfel	Put the exposure draft out. He will vote against it in substance. He does not want to hold it up. He'd rather get it out there with the yes and no votes and an alternative view.		
Mr. Allen	Send it out.		
Mr. Reid	Send it out.		
Mr. Torregrosa			He would push for the compromise but will await the director's decision. Thinks Mr. Werfel's alternative view reflects the traditional budget view.
Mr. Steinberg	Agrees with Mr. Farrell but wants to see the "track change" edition.		
Mr. Farrell	Send it out without going through the individual issues again.		
Mr. Jackson	Send it out without comment.		

Table 10 – February 2009 Vote on Liability Recognition

Table 10 – February 2009 Vote on whether there should be either (1) a liability should be recognized on the balance sheet [other than that based on the “due and payable” approach] or (2) a line item on the balance sheet for social insurance commitments as proposed in the exposure draft.	
	Should there be a liability or line item?
Mr. Patton	Yes
Mr. Schumacher	Yes
Mr. Franzel	No
Mr. Kearney	No
Mr. Allen	Yes
Ms. Fleetwood	No
Mr. Torregrosa	No
Mr. Steinberg	No
Mr. Farrell	Yes
Mr. Jackson	Yes

Table 11 – April 2009 Vote on a New Basic Statement

Table 11 -- April 23, 2009, vote on the question “Should the Staff Develop a New Basic Statement”:	
Mr. Patton	Yes
Mr. Schumacher	Yes
Mr. Dacey	No
Mr. Werfel	No
Mr. Allen	Yes
Ms. Hug	No
Mr. Torregrosa	Yes
Mr. Steinberg	May or may not support a statement depending on the format.
Mr. Farrell	Yes
Mr. Jackson	Yes

Table 12 – April 2009 Summary of Statement Preferences

Table 12 – Summary of Tentative Preferences of Members regarding Financial Statement Options, as of April 23, 2009			
	Something Similar to Option 1 – Combined Balance Sheet and Sustainability Info.	Something Similar to Option 2 – A Separate Statement	Other
Mr. Jackson		A separate statement with two columns as illustrated above. Non-SI sustainability amounts are not included. Liabilities and SI sustainability amounts are not added together. The current balance sheet format and geography is not affected.	

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Mr. Patton	Option 1B or 1C w/o non-SI amounts.		
Mr. Schumacher	Option 1C w/o non-SI amounts		
Mr. Dacey			Mr. Jackson's format in the MD&A
Mr. Werfel		Something similar to Option 2A	
Mr. Allen	"Overall Perspectives" table from the FY 2004 FR. Open to other options.		
Ms. Hug			Mr. Jackson's format in the MD&A
Mr. Torregrosa	Option 1C w/o non-SI amounts		
Mr. Steinberg		Something similar to Option 2A	
Mr. Farrell	"Overall Perspectives" table from the FY 2004 FR w/o non-SI amounts		

Table 13 – April 2009 Vote on Carve Out

	Yes	No	Comments
Mr. Patton		X	
Mr. Schumacher		X	Fears the rest of the project would disappear and the Board would end up dealing with it in the reporting model project several years from now.
Mr. Dacey	X		
Mr. Werfel	X		
Mr. Allen	X		
Ms. Hug	X		
Mr. Torregrosa		X	Disaggregating the reasons for the change is very important. The net result of the social insurance project

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Table 13 – April 23, 2009, vote on the question of whether to carve out the statement of changes in social insurance amounts:			
	Yes	No	Comments
			is the statement of fiscal sustainability, which wouldn't have been done without the social insurance project. However, he opposed the carve-out in deference to the private sector members' view.
Mr. Steinberg	X		
Mr. Farrell		X	He thought carving-out of a small piece of a standard for issuance should be re-exposed; it sets a bad precedent.
Mr. Jackson		X	He'd open up the sustainability project and integrate it with the social insurance.

Table 14 – April 2009 Vote on “Featuring” Open vs. Closed Group Measures

Table 14 -- April 23, 2009, vote on the staff recommendation on page 11 of the staff memorandum regarding Issue 2, that the standard “feature” the open group measure; in other words, that it will be the primary focus of the narrative discussion and the primary measure throughout the presentation.			
	Supports the Staff Recommendation	Does Not Support the Staff Recommendation	Comments
Mr. Patton	X		
Mr. Schumacher	X		
Mr. Dacey	X		
Mr. Werfel		X	Agreed that the emphasis should be on the open group measure and appreciated that the closed group measure might need to be discussed, but objected to the FASAB requiring that the closed group measure be discussed in the MD&A and elsewhere in the presentation. He said a better standard-setting model is to require the one measure the Board deems appropriate and allow the preparer and the auditor the flexibility to include additional measures if they believe it is necessary to provide better context for the primary measure.
Mr. Allen	X		
Mr. Scott		X	Favors Mr. Werfel’s view.
Mr. Torregrosa	X		
Mr. Steinberg		X	Favors Mr. Werfel’s view.
Mr. Farrell	X		
Mr. Jackson	X		
The effect of this is to require:			
<ol style="list-style-type: none"> 1. Emphasis on the open group measure in the MD&A. However, the closed group measure will be required to be included in MD&A discussion of social insurance. 2. The use of the open group measure for the statement of changes in social insurance amounts. 			

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3. In addition, the closed group measure will continue to be a subtotal in the summary section of the SOSI, as proposed in the ED.

Table 15 – June 2009 Vote on Statement Formats

Table 15 – Board vote on June 17, 2009, on two issues:				
<ul style="list-style-type: none"> • Issue 1, “Which [financial statement format] option does the Board prefer for the statement, Illustration 2 or Illustration 3 or something else?,” and • Issue 1.1, “Which [presentation] option does the Board prefer: 1. revised balance sheet, 2. additional statement, or 3. MD&A requirement?” 				
	Illustration 1, June memo page 52: table in FY 2004 Financial Report	Illustration 2, June memo page 53: balance sheet plus SI section	Illustration 3, June memo pages 54-55: multi-columns	“Something Else”
Ms. Hug				Doesn't favor either Illustration 1 or 2. Doesn't want to change the balance sheet. Prefers something in MD&A. Doesn't want to be prescriptive.
Mr. Torregrosa		This would be the starting point but it would need to have percentages of GDP for SI, and not add liabilities and SI amounts.		
Mr. Steinberg				Doesn't favor either Illustration 1 or 2. Prefers something like Mr. Dacey's pro forma statement in MD&A.
Mr. Farrell		Revised		

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Table 15 – Board vote on June 17, 2009, on two issues: <ul style="list-style-type: none"> • Issue 1, “Which [financial statement format] option does the Board prefer for the statement, Illustration 2 or Illustration 3 or something else?,” and • Issue 1.1, “Which [presentation] option does the Board prefer: 1. revised balance sheet, 2. additional statement, or 3. MD&A requirement?” 				
	Illustration 1, June memo page 52: table in FY 2004 Financial Report	Illustration 2, June memo page 53: balance sheet plus SI section	Illustration 3, June memo pages 54- 55: multi- columns	“Something Else”
		balance sheet.		
Mr. Jackson	This is his first choice, as a separate statement named “Statement of Financial Position and Social Insurance Responsibilities”			[His second choice is Mr. Dacey’s statement in the MD&A, provided that SI is disaggregated in an acceptable manner.]
Mr. Patton		Revised balance sheet. This is his first choice. It’s conceptually preferable.		[Second choice would be something that CBO can support, in the interest of getting something done sooner rather than later.]
Mr. Schumacher	Likes this illustration, as a	[Originally preferred		

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Table 15 – Board vote on June 17, 2009, on two issues: <ul style="list-style-type: none"> • Issue 1, “Which [financial statement format] option does the Board prefer for the statement, Illustration 2 or Illustration 3 or something else?,” and • Issue 1.1, “Which [presentation] option does the Board prefer: 1. revised balance sheet, 2. additional statement, or 3. MD&A requirement?” 				
	Illustration 1, June memo page 52: table in FY 2004 Financial Report	Illustration 2, June memo page 53: balance sheet plus SI section	Illustration 3, June memo pages 54- 55: multi- columns	“Something Else”
	revised statement, because it leaves the balance sheet in place, shows responsibilities, and allows the reader to select information.	this, but does not think it can garner support. Thus, prefers 1.]		
Mr. Dacey				Doesn't favor either Illustration 1 or 2. Offered his own format, as amended by Mr. Jackson, for the MD&A.
Mr. Werfel				Agrees with Mr. Dacey, provided the wording of the standard is generalized.
Mr. Allen	Agrees with Messrs. Jackson and Schumacher. Also agrees with Mr. Patton. He is open regarding			Could favor other compromise approaches.

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<p>Table 15 – Board vote on June 17, 2009, on two issues:</p> <ul style="list-style-type: none"> • Issue 1, “Which [financial statement format] option does the Board prefer for the statement, Illustration 2 or Illustration 3 or something else?,” and • Issue 1.1, “Which [presentation] option does the Board prefer: 1. revised balance sheet, 2. additional statement, or 3. MD&A requirement?” 				
	<p>Illustration 1, June memo page 52: table in FY 2004 Financial Report</p>	<p>Illustration 2, June memo page 53: balance sheet plus SI section</p>	<p>Illustration 3, June memo pages 54-55: multi-columns</p>	<p>“Something Else”</p>
	<p>presentations.</p>			

Table 16 – June 2009 Vote on Requiring MD&A Discussion of Closed Group Measure

<p>Table 16 – Board vote on June 17, 2009, on the question of whether the social insurance standard should require a discussion of the closed group measure in the MD&A as described in item 1b on page 9 of the staff’s June memorandum (Issue 2).</p>		
	<p>Should the standard require a discussion of the closed group measure (CGM) in the MD&A?</p>	<p>Comments</p>
Mr. Werfel	No	
Mr. Allen	Yes	Both perspectives are needed.
Ms. Hug	No	Doesn’t have an issue with discussing the CGM but doesn’t want to require it.
Mr. Torregrosa	Yes	
Mr. Steinberg	No	Prefers to allow but not require it. A measure in addition to the open group measure could be confusing. Leave it to the preparer’s discretion.
Mr. Farrell	Yes	The CGM is discussed in many places.
Mr. Jackson	Yes	

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Table 16 – Board vote on June 17, 2009, on the question of whether the social insurance standard should require a discussion of the closed group measure in the MD&A as described in item 1b on page 9 of the staff’s June memorandum (Issue 2).		
	Should the standard require a discussion of the closed group measure (CGM) in the MD&A?	Comments
Mr. Patton	Yes	
Mr. Schumacher	Yes	
Mr. Dacey	No	Agrees with Mr. Steinberg.

Table 17 – June 2009 Vote on SOSI Summary Section

Table 17 – Board vote on June 17, 2009, on the question of whether the social insurance standard should require a summary section for the statement of social insurance (Issue 4).		
	Should the standard require a summary section for the SOSI?	Comments
Mr. Werfel	No	He prefers not adding disclosures requirements; he prefers allowing preparers the flexibility to decide what to present. Also, more than one measure may be confusing.
Mr. Dacey	Yes	
Mr. Schumacher	Yes	
Mr. Patton	Yes	
Mr. Jackson	Yes	
Mr. Farrell	Yes	
Mr. Steinberg	No	He is reluctant to vote “yes” without knowing why SSA doesn’t have a summary section.
Mr. Torregrosa	Yes	His affirmative vote would be contingent on presenting GDP percentages.
Ms. Hug	No	Doesn’t want to require it.
Mr. Allen	Yes	

Table 18 – June 2009 Summary of Other Decisions

Table 18 – Summary of decisions of the Board on June 17, 2009, other than those presented in tables 15, 16 and 17 immediately above.
The Board unanimously approved the MD&A standard with the changes to sub-paragraphs 27c and 27e (Issue 3).
The Board unanimously approved the statement of changes in social insurance amounts (Issue 5).
The Board unanimously affirmed its decision not to require a line item on the statement of net cost for the change in social insurance amounts during the period (Issue 7).
The Board unanimously decided to drop the last sentence of paragraph 43 that mentioned stochastic analysis (Issue 8).