

General Remarks

The U.S. Department of Labor (DOL) has two programs covered under the FASAB accounting standards for social insurance: the (I) Black Lung Disability Benefit Program and (II) Unemployment Insurance Program.

I. Black Lung Disability Benefit Program

The primary purpose of the Black Lung Disability Benefit Program (which was established in 1978) is to compensate the victims of coal mine dust exposures which occurred prior to 1970. The projection period for the program ends on September 30, 2040.

Expenditures for disability, survivor and medical benefits in FY 2008 totaled only \$273 million. They have declined steadily since the peak year of FY 1980 when \$726 million in benefits were paid out and will continue to decline. The beneficiary population is an essentially closed universe where over 70 percent of the participants are widows and other surviving dependents of deceased disabled coal miners. The beneficiary population continues to decrease, primarily due to deaths, at a rate of nearly nine percent annually. By the end of FY 2040, not only the disabled miners and their widows in that class, but virtually all of their eligible dependent disabled adult children, will be deceased.

Revenues for the Black Lung Disability Trust Fund generated from coal excise taxes over the next decade are projected by Treasury's Office of Tax Analysis to range from \$670 to \$720 million annually. Section 113 of the Energy Improvement and Extension Act of 2008, enacted October 3, 2008, restructured the Black Lung Disability Trust Fund's over \$10 billion indebtedness and extended the current tax rates. Under that legislation, all of the Trust Fund's revenues not needed to pay the costs of benefits and program administration will be used to pay the restructured debt. Initially, over one-half of the tax revenues will be used for debt reduction. As the benefit costs continue to decline, over three-fourths of the excise tax revenue will be available for debt reduction by the end of the decade.

Currently, in accordance with FASAB standards on social insurance, DOL prepares a Statement of Social Insurance (SOSI) for the Black Lung Disability Benefit Program. Given the declining size of the program and the recent legislation that provided for the retirement of its debt, we believe that the Black Lung Disability Benefit Program is immaterial relative to the other social insurance programs that prepare a SOSI. However, the new standard as currently proposed will not substantially change our SOSI reporting for the Black Lung Disability Benefit Program. Because of the closed universe of program participants, measures based on closed group versus open group would be the same and for reporting purposes would be the same.

II. The Unemployment Insurance Program

The Unemployment Insurance Program was created in 1935 to provide income assistance to unemployed workers who lose their jobs through no fault of their own. The program protects workers during temporary periods of unemployment through the provision of unemployment compensation benefits. These benefits replace part of the unemployed worker's lost wages and, in so doing, stabilize the economy during recessionary periods by increasing the unemployed's purchasing power. The Unemployment Insurance Program operates counter cyclically, with benefits exceeding tax collections during recessionary periods and unemployment insurance tax revenues exceeding benefit payments during periods of recovery.

The Unemployment Insurance Program is administered through a system of Federal-State partnerships, established in Federal law but executed through conforming State laws by State officials. The Federal government provides broad policy guidance and program direction through the oversight of DOL, while program details are established through individual State unemployment insurance statutes, and administered through State unemployment insurance agencies.

The Unemployment Insurance Program is financed through the collection of Federal and State unemployment taxes levied on subject employers and deposited in the Unemployment Trust Fund (UTF). The UTF was established to account for the receipt, investment, and disbursement of unemployment taxes. Federal unemployment taxes are used to pay the administrative costs of the Unemployment Insurance Program. Federal unemployment taxes are also used to maintain a loan account with the UTF, from which insolvent States may borrow funds to pay unemployment insurance benefits. State unemployment insurance taxes are used exclusively for the payment of regular unemployment insurance benefits, as well as the State's share of extended benefits.

Federal and State unemployment insurance taxes are deposited into designated accounts within the UTF. The UTF is divided into five accounts: the (1) Employment Security Administration Account (ESAA), (2) Federal Unemployment Account (FUA), (3) Extended Unemployment Compensation Account (EUCA), (4) Federal Employees Compensation Account (FEC), and (5) State Accounts.

The Unemployment Insurance Program provides regular and extended benefit payments to eligible unemployed workers. During prolonged periods of high unemployment, Congress may authorize the payment of emergency unemployment benefits to supplement extended unemployment insurance benefit payments.

At September 30, 2008, total assets within the UTF exceeded liabilities

by \$72.1 billion. The fund balance approximates the accumulated surplus of tax revenues and earnings on these funds over benefit payment expense and is available to finance benefit payments in future periods when tax revenues may be insufficient. Treasury invests this accumulated surplus in Federal securities. The net value of these securities, including interest receivable, at September 30, 2008, was \$73.3 billion. DOL recognized a liability for regular, extended and emergency unemployment benefits to the extent of unpaid benefits applicable to the current period and for benefits paid by States that have not been reimbursed by the UTF.

In accordance with FASAB accounting standards, DOL prepares Required Supplementary Information for the Unemployment Insurance Program and presents 10-year projections in nominal dollars. DOL is not required to prepare a SOSI for the Unemployment Insurance Program and does not prepare a SOSI. The new standard as currently proposed would change our Required Supplementary Information reporting of 10-year projections from nominal dollars to constant dollars.

Questions for Respondents:

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?

Please provide the rationale for your answers.

For the Black Lung Disability Benefit program, we believe that brief and general descriptions of the program and its activity may be presented in the MD&A. The reader should then be referred to the financial statements, notes, and Required Supplementary Information for further discussion. Discussions with greater detail should not be presented in the MD&A as described in the exposure draft because we believe this information would be redundant. DOL currently presents the measures mentioned in paragraphs 27a and 27b in the footnote for earmarked funds. Notes regarding the refinancing of the Black Lung Disability Trust Fund have and will be included also, along with program descriptions included in the Required Supplementary Information.

Paragraph A79 states, "This standard requires the governmentwide and component entities that present a SOSI to include certain information in their discussion of financial statements in the MD&A." DOL does not prepare a SOSI

for the Unemployment Insurance Program. Therefore, it is DOL's understanding that the MD&A requirements do not apply to the Unemployment Insurance Program.

At the beginning of paragraph 27, in the statement that, "At a minimum, all entities should present and explain," we believe that the words "social insurance component entities that present a SOSI and governmentwide entity" should replace "all entities." Because paragraph 15 states that the proposed standard does not alter the MD&A requirements of other entities (besides the social insurance entities and the governmentwide entity), the use of "all entities" in paragraph 27 may be confusing.

We do not agree with the use of the word "commitments" in paragraph 27c because of its use as a technical term in budgetary accounting. Perhaps alternative terminology could be used, such as "measures related to social insurance." Because of the closed universe of participants in the Black Lung Disability Benefit program, reporting on closed group versus open group measures will be the same.

Lastly, we believe it would be more appropriate for new MD&A requirements to appear as an amendment to SFFAS No. 15, Management's Discussion and Analysis, as opposed to appearing in a separate standard on social insurance. If the new MD&A requirements remain in the standard on social insurance, FASAB should provide a notice in the Original Pronouncements referencing the social insurance standard in the section regarding SFFAS No. 15 in a manner similar to how SFFAS No. 26 was referenced in the June 2008 Codification regarding SFFAS No. 17.

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.[1] 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. Werfel's view. Mr. Werfel and other members believe that the closed group measure should not be presented on the balance sheet. [[1] Definitions of certain terms are provided in the Definitions section and Appendix F: Glossary of this proposed standard.]

Do you believe that the balance sheet should present a line item for the closed group measure as described in this exposure draft? Please provide the rationale for your answers.

No, we do not believe that the balance sheet should present a line item for the closed group measure as described in the exposure draft. We agree in principle with the discussions provided paragraph A144.

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.

Do you believe that the SOSI should have a summary section as described in this exposure draft?

Please provide the rationale for your answers.

In theory, we have no objection to the SOSI having a summary section as described in the exposure draft. However, due to the closed universe of participants in the Black Lung Disability Benefit Program and the similarity between closed and open group measurements which for reporting purposes are the same, the summary section would be duplicative.

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.

Do you believe there should be a new basic financial statement explaining changes to the present value amount included in SOSI?

Please provide the rationale for your answers.

In theory, we have no objection to the new basic financial statement explaining changes to the present value amount included in the SOSI. However, we believe that changes in the SOSI may be better explained in additional information provided in a footnote to SOSI.

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 A117-A123 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.

Do you believe that an accrued benefit obligation should be disclosed as described in this exposure draft?

Please provide the rationale for your answers.

The accrued benefit obligation is presented on the SOSI in the section entitled Social Insurance Summary (as presented in Appendix D). Therefore, presenting this information again in the notes would be redundant.

Because the Black Lung Disability Benefit Program has a closed universe of participants, where closed group and open group measures will yield the same reporting results, we believe that the accrued benefit obligation is already reported on the SOSI.

DOL does not prepare a SOSI for the Unemployment Insurance Program. Therefore, the Unemployment Insurance Program would not report an accrued benefit obligation. The language presented in paragraph 38 is unclear regarding whether all social insurance programs or only those social insurance programs which prepare a SOSI must report an accrued benefit obligation.

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 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.

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?

Please provide the rationale for your answers.

We concur that the SNC should not include a line item for the change during the period in the closed group measure, to be presented below exchange revenue and expenses and not included in the totals for these classifications. As stated in our response to Q2, we do not believe that the balance sheet should present a line item for the closed group measure as described in the exposure draft. Therefore, we do not believe that the change during the period should be reported in the SNC.

Q7. The Board decided to present the closed group measure (CGM) (defined in paragraph 19) as a common thread among the proposed new reporting. The proposal requires that the CGM and other key measures from the financial statements be discussed in management's discussion and analysis; that the CGM 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 CGM 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.

Do you agree with the Board's decision to feature the closed group measure?

Please provide the rationale for your answers.

Due to the unique nature of the program, the Black Lung Disability Benefit Program essentially has a closed universe of participants; therefore, the closed group versus the open group measure will yield the same reporting result.

DOL does not prepare a SOSI for the Unemployment Insurance Program. The Unemployment Insurance Program uses open group measures for 10-year projections for the information presented in the Required Supplementary Information. Projections are based on predicted workforce and unemployment rates. We believe that closed group measures do not provide a complete presentation of the Unemployment Insurance Program.

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.

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?

Please offer any comments that you wish to make on these provisions.

We concur with a general requirement that allows flexibility in the sensitivity analyses so that management may produce better information regarding the sensitivity of social insurance programs.

Thank you for the opportunity to comment on the Exposure Draft. Any questions or comments may be addressed to:

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